6. Social Conditions

Ultimately, the sustainability of transition progress hinges on the well being of the individual and a reasonably fair distribution of the gains and costs from the transition. The links between living standards, popular expectations, and the level of public support for economic and political reforms need to be closely watched, particularly in Eurasia, though no doubt in parts of CEE, too. In settings of sustained deterioration of social conditions, the links between human capital and macroeconomic performance appear to be growing in importance as well.

Labor markets. Unemployment remains very high in CEE. It is close to 18% on average in the Southern Tier CEE countries and 15% in the Northern Tier CEE (*Table 15* and *Figure 24*). It is striking that unemployment rates (in 2001) are as high as they have been since the transition began in at least three Northern Tier CEE countries: Slovakia (19.8%); Poland (17.3%); and Lithuania (17.0%). Northern Tier CEE unemployment rates on average have been increasing since 1997. This contrasts with trends in Western Europe, where unemployment rates on average have been falling since 1994, and are now below 8%.

Highest unemployment rates in the transition region are in the Southern Tier CEE, ranging from roughly 9% in Romania to 15-19% in Croatia, Bulgaria, and Albania, to closer to 30-40% in Yugoslavia, Macedonia, and Bosnia-Herzegovina.

Many of these unemployed persons in CEE have been out of work for more than a year; i.e., are long-term unemployed (*Table 16* and *Figure 25*). Latest data available (1998-2000) show that the long-term unemployed are close to 50% of total unemployment or more in Croatia (61%), Bulgaria (59%), Latvia (52%), the Czech Republic (49%), Estonia (47%), and Slovakia (46%). Estimates of the long-term unemployed in Macedonia from 1992 through 1996 show that at least four out of five unemployed Macedonians are long-term unemployed.

Nevertheless, these high proportions of long-term unemployed are not solely confined to the transition countries. The long-term unemployed consist of 52% of total unemployment in Germany, 47% in Spain, and 43% in France. The U.S. labor market is the salient exception to the trend; closer to 5% of the unemployed in the U.S. is unemployed for more than one year.

As evident in *Figure 26*, youth unemployment rates are generally much higher than national averages in advanced economies and transition economies alike (and in all three transition sub-regions). However, the differential is considerably larger in the Southern Tier CEE countries. Youth unemployment rates are roughly two times the national rates in the advanced economies as well as in the Northern Tier CEE countries and in a limited sample of (five) Eurasian countries. In the Southern Tier CEE (in a sample of five countries), youth unemployment rates are closer to three times national averages. This translates into 71% youth unemployment rate in Macedonia and 61% in Yugoslavia.

Official unemployment rates are generally much lower in Eurasia than in CEE, ranging from 7-8% in recent years on average (*Table 15*). There are at least two key reasons for this. First, the unemployment data in Eurasia remain less reliable and/or are not directly comparable to those in CEE. Second, labor markets are adjusting differently in Eurasia, partly a reflection that enterprise restructuring continues to lag in much of Eurasia vis-à-vis CEE.

In a handful of Eurasian countries, registered unemployment figures are reported in lieu of survey estimates. The former technique tends to underestimate actual unemployment rates, particularly where there is little incentive to register one's unemployment (i.e., where unemployment compensation is minimal or insignificant). Registered unemployment rates are used in Uzbekistan, Moldova, Belarus, Tajikistan, and Kyrgyzstan, where, by these measures, unemployment ranges from 0.6% in Uzbekistan to 5.6% in Kyrgyzstan.

Unofficial estimates, however, indicate substantially higher rates in, for example, Kyrgyzstan (around 20%) and Tajikistan (30%). Armenia's official unemployment figures (9.6% in 2001) are also registered unemployed, though again, unofficial estimates indicate that substantially higher unemployment rates exist there as well. In Turkmenistan, unemployment does not officially exist since every citizen is "guaranteed" employment. However, a household survey found urban unemployment there to be 19% in 1998. The EBRD revised (without explanation) its series of annual unemployment rates in Azerbaijan from double-digit levels to rates ranging from 0.6% in 1994 to 1.3% in 2001.

In some Eurasian countries, official unemployment rates are high, and closer to CEE norms: 11% in Kazakhstan (2001); 10.3% in Georgia (2000); 9.6% in Armenia (2001) and 9% in Russia (2001).

No doubt part of the reason why official, open unemployment estimates in Eurasia are lower than in CEE is because Eurasian labor markets are adjusting differently and, similarly, less transparently.

The tendency in many firms in Eurasia has often been to avoid labor shedding (or making "quantity adjustments") when demand for labor falls or shifts, and this has put greater pressure on "price adjustments" in the labor markets, that is, on reducing real wages. At least early on in the transition, real wages dropped much more significantly in Eurasia than in CEE. From 1990 to 1995, real wages fell by more than 80% on average in the six Eurasian countries for which data are available, recovering to close to 40% by 1998.[22] In contrast, real wages in the Northern Tier CEE countries never fell below 35% of 1990 levels, and by 1998 were roughly 10% less than 1990 real wages.[23]

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[22] The six Eurasian countries are Moldova, Russia, Azerbaijan, Georgia, Kazakhstan, and Kyrgyzstan. *Figure 3* of *Monitoring Country Progress* #7 (Oct. 2001), drawing from EBRD *Transition Report 2000* and UNICEF, *Young People in Changing Societies* (2000).

[23] UNICEF's recently published *Social Monitor 2002* (September 2002) shows more promising recent real wage trends. In 2000, the latest year for which data are available, real wages increased in a large majority of the transition economies; in fact, only falling in four economies: Slovakia; Moldova; Ukraine; and Kyrgyzstan.

Other distinguishing labor market adjustments have characterized Eurasia for which cross-country data are not readily available. These include wage arrears and hidden unemployment or, more broadly, substantial underemployment. Many workers in much of Eurasia have remained officially employed, but have often gone without pay for periods or have been put on involuntary leave and/or have been given fewer hours to work.[24] In short, labor market adjustments in much of Eurasia may be just as significant and tumultuous (if not more so) than those in CEE, though they have manifest in a variety of different often less transparent ways.

Income and poverty. *Table 17* and *Figure 27* look at per capita income and how it is distributed. Income on average in the transition economies remains significantly below that in the advanced economies. In purchasing power parity (PPP) terms, per capita income (at $6,910) for the transition region overall is only one-fourth the average of the advanced economies ($28,550). It is considerably lower when market exchange rates are used to calculate average income. Furthermore, the transition economy average masks wide variation. The Northern Tier CEE per capita income average is almost twice that found in the Southern Tier CEE and Eurasia in PPP terms. Four Northern Tier CEE countries have average income greater than $10,000 (Slovenia, $17,800; the Czech Republic, $14,280; Hungary, $12,490; and Slovakia, $11,370), while three Eurasian countries have average income levels closer to $2,000 (Uzbekistan, $2,420; Moldova, $2,330; and Tajikistan, $1,180).

What may be more important for our purposes is how the income levels have changed during the transition, and how it has been distributed within countries. Other factors being equal, the greater the income disparities and collapse in incomes, the more pronounced are the hardships and the greater is the likelihood of "reform fatigue."

Several observations on inequality stand out. First, income inequality has increased dramatically overall in the transition region. In little more than a decade (from 1987 to 1999), income inequality, as measured by gini coefficients, increased for the transition region as a whole by 50%. This likely represents a change of unprecedented magnitude in the given time period. To compare, income inequality increased by 2% in the EU from 1986 to 1993.

Virtually all the transition economies had relatively equal income distributions prior to communism's collapse, generally more equal than those found in the developed market economies.[25] Since the transition began, however, income inequality trends have differed significantly between the sub-regions. Income inequality has increased far more in Eurasia (by over 60%) than it has in the Northern Tier CEE countries (14%) and the

[24] According to Pinto, Drebentsov, and Morosov (2000), wage arrears in the public sector alone at end 1999 were equivalent to roughly 1% of GDP in Georgia, 1.6% in Moldova, and 2.7% in Armenia. More broadly, wage arrears in Russia in four sectors of the economy (industry, agriculture, transport, and construction) equaled 2.9% of GDP in 1998. B. Pinto, V. Drebentsov, and A. Morozov, "Dismantling Russia's Nonpayments System: Creating the Conditions for Growth," World Bank (2000).

[25] It is probable, however, that the gini estimates of pre-transition income distribution, particularly in Eurasia, underestimate income inequality. Typically, pre-transition surveys excluded many of the poorer segments of society.

Southern Tier CEE (36%). For the Northern Tier CEE countries, income inequality is now on a par with that found in the EU, and slightly lower than all of the advanced economies on average. To a large extent, the increase in inequality in these advanced transition economies is an expected byproduct of developing a market-oriented economy, that the growing spread in wages, salaries, and returns on investments better reflect the differences in the productivity of labor and capital inputs as market forces mature.

In contrast, income inequality in a handful of Eurasian countries, most notably Armenia, followed by Russia, Tajikistan, and Kyrgyzstan, may approach those levels found among the most unequal economies worldwide, found in Latin America and Sub-Saharan Africa. The income distribution estimates of a handful of comparator countries in *Table 17* provide a rough basis for comparison.[26] Income inequality is among the highest worldwide in Brazil, Guatemala, and South Africa where gini coefficient estimates range from 0.59 in South Africa to 0.60 in both Brazil and Guatemala. Of the transition countries, income inequality in Armenia comes closest (with a gini coefficient estimate of 0.58). The gini coefficients for Russia and Tajikistan are 0.47; for Kyrgyzstan, 0.44. It is also worth noting, however, that income inequality in the United States (gini = 0.41) is not much lower than that found in the above-mentioned countries and in the overall Eurasian average (0.44).

Most of the increase in income inequality in the transition region appears to have taken place relatively early on in the transition, by the mid 1990s. The most recent changes in income inequality for which data are available show considerable slowing of the increase in inequality overall, and even a notable decrease in at least two countries, Slovenia and Kyrgyzstan. Since the mid-1990s, income inequality increased by only 2% on average for the sixteen transition countries for which data are available; i.e., comparable to the recent trend in the EU.

The inequality gap between sub-regions is narrower if the distribution of consumption (rather than income) is used to measure inequality (*Table 17*). In general, consumption measures of inequality are superior to income measures since they better capture informal economic activities, self-employment, and nonwage earnings, and may be more likely to reflect underlying, longer-term (or "permanent") income trends. The distinction between the two inequality measures may be particularly key in the case of Eurasia where wages reportedly represent less than 40% of household incomes, and in some countries, such as Armenia and Georgia, perhaps less than 15%. In CEE, wages account for 60-80% of household incomes.[27] As shown in *Table 17*, consumption measures of inequality are lower than income measures on average in Eurasia and, to a lesser extent, in the Southern Tier CEE, while slightly higher in the Northern Tier CEE. Consumption inequality is considerably lower than income inequality in Tajikistan, Armenia, Kyrgyzstan, Georgia, and Bulgaria. These findings are consistent with existing cross-country estimates of

[26] The gini estimates of the comparator countries in *Table 17* are drawn from a different source from within the World Bank (its *World Development Indicators*), and hence are likely derived somewhat differently than the transition country estimates in the table.
[27] World Bank, *Making Transition Work for Everyone* (September 2000). p. 143.

informal economic activity that show that these five countries have among the largest informal economies (as a share of official GDP) of all the transition countries.[28]

Figure 28 looks at average income alongside income inequality in the transition countries and elsewhere. It shows that some of the most unequal economies in the transition region are also some of the poorest ones. This includes Armenia, Kyrgyzstan, Azerbaijan, Georgia, and Moldova. There appears to be a closer fit to this income-inequality relationship among the transition economies than among the economies in other parts of the world.

Estimates of absolute poverty rates are provided in *Table 18* and *Figure 29*.[29] The most recent cross-country estimates (primarily 1998-1999) from the World Bank are included alongside two earlier series (1987-1998 and 1993-1995). Poverty rates vary widely both by country as well as by poverty threshold. Roughly four out of ten persons in the transition region are found to be in poverty at the higher poverty threshold of $4.30 per day. However, the range in poverty rates between countries is enormous, from 1% in Slovenia and the Czech Republic to 96% in Tajikistan. The sub-regional differences are large as well, from 15% in the Northern Tier CEE to 46% in Eurasia. The regional averages of poverty at $4.30 per day are very similar to the earlier (1993-1995) estimates of poverty at $4 per day, though some individual country estimates vary widely between the two series.

Poverty rates are much lower as expected when the poverty threshold is lowered to $2.15 per day. By this measure, only 1% of persons in the Northern Tier CEE is poor, 6% is living in poverty in the Southern Tier CEE (vs. 36% with a $4.30 per day threshold), and 17% in Eurasia. The differences between countries and sub-regions remain very large, and the country ranking is very similar, though not identical, with that of the higher threshold. However, poverty overall in the region is "reduced" by more than a multiple of three (from 39% to 12%) when the lower poverty threshold is used.

A very rough comparison of poverty in the transition region with that found among the developing countries can be made by using the World Bank's estimates of poverty at $2 a day in the developing world (*Figure 29*).[30] Overall, poverty appears to be much lower in the transition region than it is in the developing world. The poverty rate in Latin America and the Caribbean (32% at $2/day) is about 50% higher than in the transition region

[28] For estimates of the size of informal economies, see S. Johnson, D. Kaufmann, and A. Shleifer, "Politics and Entrepreneurship in Transition Economies," *Working Paper Series*, No. 57, The William Davidson Institute, University of Michigan (1997); and F. Schneider and D. Enste, "Shadow Economies: Size, Causes, and Consequences, " *The Journal of Economic Literature* 38 (March 2000), pp. 77-114.

[29] The most recent estimates of poverty are taken from the World Bank (September 2000). Two international poverty lines are used in calculating absolute poverty (or the headcount index): $4.30 and $2.15 per person per day. To derive a poverty headcount or the percentage of those who are poor, the U.S. dollar poverty line is first converted into national currency using 1996 purchasing power parity (PPP) exchange rates (the most recent ones available). Next, the poverty line is adjusted for inflation to yield an absolute poverty line for the year in which the data are collected.

[30] World Bank, *Global Economic Prospects and the Developing Countries 2001* (2001), p. 37.

overall (21% at $2/day).[31] The magnitude of poverty is much higher still in Sub-Saharan Africa (78%) and South Asia (84%) at this $2 per day threshold.

There is much, of course, that these relatively favorable comparisons for the transition countries of absolute poverty rates do not capture. In important respects, as ably articulated in World Bank's *Making Transition Work for Everyone* (September 2000), the transition country poor and their situation are very different than in other parts of the world, better in some ways, but clearly worse in others. In contrast to the majority of poor people in developing countries, most of the poor in the transition countries are literate, many are well educated, and before communism's collapse, had secure employment. The drop into poverty was sudden and chaotic, and the magnitude of the increase in the poverty rate has probably been without parallel. Estimates from Milanovic (1998) show that the poverty rate at $4 per day increased from roughly 4% in 1987-88 to 40% by 1993-1995 for the transition region overall. Moreover, these changes have occurred in the context of tumultuous change across the board in the economic, political and social domains, as well as in the context of an important legacy of the (Communist) past that associated poverty with individual failings or deviancy. Many of the mental and physical illnesses that have emerged during the transition are likely better understood in this context.

Is any one poverty line more meaningful than the others? The World Bank (September 2000) has suggested that the $2.15 poverty line may be the most appropriate for the transition countries. This poverty line is roughly equal to the lowest absolute poverty lines that are used by many governments in the transition countries, and are based on a nationally determined minimum food basket plus an allowance for nonfood expenditures.

Figure 30 is an attempt to provide a more intuitive reality check by comparing absolute poverty rate estimates with a rough proxy of poverty from survey data. Specifically, poverty rates at $4.30 per day are compared to 1998 household self-assessments of the frequency of being deprived of food during the month prior to being queried in ten transition countries. If often being deprived of food is a reasonable proxy for poverty, then one would expect the two measures in *Figure 30* to line up close to the 45% line. This is generally the case (and much more so than at the lower poverty rate threshold of $2.15 per day). Two countries, however, are salient exceptions to the trend: Russia and Romania. At $4.30 per day, 50% of Russians were poor in 1998, yet only 19% of those surveyed declared that their households were often without food. Forty-five percent of Romanians in 1998 were estimated to be below the $4.30 per day poverty line, yet only 4% surveyed claimed that their household was often without food. Both instances suggest that the poverty rate at $4.30 per day widely over estimates hardship in these countries.

The relative poverty burden of various segments of the transition population in the Northern Tier CEE and Eurasian countries is assessed in *Figure 31*, drawing from the same surveys used to measure the absolute poverty rates from the World Bank (shown in

[31] The World Bank's country classification of the transition region includes Turkey (which has a poverty rate of 18% at $2/day).

Table 18).[32] In this analysis, persons below the relative poverty line of 50% of median income, adjusted for household economies of scale, are defined as poor.[33] The relative poverty burden is calculated by dividing the share of total poverty of a particular segment of the population (e.g., children or elderly, male or female) by that segment's share of the total population. Hence, a relative poverty burden in excess of "1" represents a disproportionate share (or burden) of the nation's poverty. Similarly, persons in groups that score higher than "1" are more at risk to being poor; those in groups with a score less than "1" are less at risk. The populations are segmented by age (children vs. elderly), education (with primary education only vs. higher education), location (rural vs. urban), and household head (employed vs. not employed).[34]

The data highlighted in *Figure 31* suggest the following. First, while children are disproportionately at risk to being poor across the transition region, they are much more at risk in the CEE, and particularly in the Northern Tier CEE. On the other hand, the elderly in the Northern Tier CEE countries have a lower poverty risk than the national averages of these countries, while the elderly in Eurasia are more at risk; they are disproportionately poor. Part of the distinction likely stems from the tendency for the elderly in the Northern Tier countries to be better protected and supported by government safety nets, and pensions in particular.

Second, while education appears to be a significant determinant to financial well being across the transition countries, it is more significant in the Northern Tier CEE. In other words, the chances of being poor in the Northern Tier are much greater if one has a primary education only and much less with advanced education. This tendency is less evident in Eurasia where apparently the returns to education are lower (and presumably the importance of political or personal connections and corruption towards securing a job are greater). These findings are consistent with the many anecdotal reports that well-educated persons in Eurasia are unable to find employment commensurate with their educational background.

Third, other things equal, rural populations are much more at risk than urban populations to being poor in CEE. The urban areas in CEE are presumably where most of the jobs and economic opportunities are. In Eurasia, in contrast, location matters less to poverty risks. There is less advantage to living in an urban setting in Eurasia presumably because of the absence of sufficient jobs and adequate economic infrastructure. There may be

[32] *Figure 31* summarizes a more extensive analysis (of all three transition sub-regions) shown *in Monitoring Country Progress* #7 (October 2001).

[33] Adjusting to household economies of scale refers to estimating equivalent household income or expenditure needs among households that vary in size and composition (in terms of the number of adults and children). Clearly, a one-person household living on $200 per month is materially better off than a four-person household living on $200 a month. The simplest adjustment to estimate equivalent household needs would be to divide by the number of persons in the household. However, because there exist economies of scale (or cost savings due to size) among the family of four, $200 for them represents greater welfare than $50 for the one-person household. The equivalence scale used in this analysis weighs the number of family members, and gives slightly less weight to children (since their consumption needs are generally less than adults).

[34] "Not employed" includes the unemployed and all those, including retirees, who are not in the labor force.

little to gain by living in rural areas in Eurasia as well, though farming the lands at least provides a means to cope and perhaps avert deep and/or sustained poverty.

Finally, being employed, or living in a household in which the head of the household is employed, reduces one's chances of being poor across the transition countries. However, being employed confers more of a benefit in the Northern Tier CEE countries than elsewhere in the transition region. Similarly, not being employed carries more of a penalty in the Northern Tier CEE; i.e., it increases the risk of being poor. These findings are consistent with our earlier observations on the distinctions in labor market trends between CEE and Eurasia. In Eurasia, where wage arrears often prevail and where real wages have fallen further, there is less of a guarantee that being employed will keep a person out of poverty. Moreover, given the greater prevalence of the informal economy in Eurasia, there is a weaker link between being officially unemployed (in the formal economy) and being poor.[35]

Figures 32 through *34* provide more recent evidence of poverty and living standards in Russia from the Russia Longitudinal Monitoring Survey.[36] Overall, these data provide evidence that the recent gains in Russia accrued at the macroeconomic level have been filtering down quite substantially. According to RLMS estimates (*Figure 32*), Russia's poverty rate peaked in 1998, shortly after its financial crisis came to a head. Since then, however, poverty in Russia has dramatically dropped, from 39% of the population in 1998 to 29% in 2000 to 19% in 2001. Moreover, extreme poverty as a proportion of total poverty has also been falling (from a high of 56% in 1996 to 37% in 2001). While poverty rates remain disproportionately high for children in Russia, the percentage of children who are poor is also falling; so too, the proportion of elderly.

What is striking (in *Figure 33*) is how closely the trends in poverty rates map with macroeconomic trends. Specifically, the poverty rate in Russia continued to rise while the economy contracted, i.e. through 1998. However, once economic growth got underway, the poverty rate started falling dramatically.

Figure 34 provides further evidence that the gains from the transition are being more widely shared in Russia. The percentage of Russians owning various durable goods including color TVs, VCRs, and automobiles has risen fairly steadily from 1992 to 2001. Roughly one-half of the population owed a color TV in 1992; today it is closer to 80%. Only 3% of the population had a VCR in 1992; by 2001, more than a third of population had one. The ownership of black and white TVs declined, as color TV ownership rose.

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[35] *Table 21* of *Monitoring Country Progress* #7 (October 2001) highlights another trend: there seems to be a stronger link between gender and poverty in the Southern Tier CEE and Eurasia than in the Northern Tier CEE. In particular, women tend to be much more at risk to finding themselves in poverty than men in most of Eurasia and in the Southern Tier CEE countries. In contrast, in the Northern Tier CEE countries, gender seems to be much less of a determinant of poverty. This suggests that discrimination and the importance of connections are less significant in the Northern Tier CEE and market forces are more important.

[36] The Russian Longitudinal Monitoring Survey is coordinated by a University of North Carolina team led by Barry Popkin and has had two phases of a total of eight survey rounds since 1992. See *Monitoring Country Progress* #6 (May 2000), *Appendix II* and/or RLMS' web site: http://www.cpc.unc.edu/projects/rlms/ for elaboration.

It is somewhat striking how relatively immune these trends seem to be to the turmoil of the transition in Russia; there is no hint in these data, for example, that a financial crisis even took place in 1998 in Russia.

Human capital. These data attempt to address trends in health and education. Life expectancy is now likely higher today in a large majority of the transition countries than at the outset of the transition (*Table 19* and *Figure 35*). For most countries, this has meant a temporary decline followed by a more than proportionate increase in life expectancy. Latest available year trends (in 2000) are encouraging: seven countries experienced an increase in life expectancy in 2000, and only one (Russia) experienced a decrease.

Life expectancy in the Northern Tier CEE is now 73 years, still well below EU average of 78. In the Southern Tier CEE, it is 71 years, closer to the average of 70 in Latin America and the Caribbean. In Eurasia, life expectancy is 67 years, or not far from the overall average in the developing countries of 64 years.

Four countries have experienced a notable decline in life expectancy from 1989 to 2000 (and have significantly skewed downward the Eurasian average). In order of magnitude, they are Russia, Belarus, Kazakhstan, and Ukraine. All four countries have seen a decline in life expectancy in both males and females. The most alarming trends are in Russia, where after stabilizing for several years, life expectancy has resumed a downward trend (and despite the encouraging income and poverty trends noted from the RLMS data above). Male life expectancy in Russia at 59 years is once again below the 60 years threshold. To compare, the average male life expectancy in the developing countries is 63, or four years higher than in Russia. The developing country average, however, widely masks differences in parts of the world: male life expectancy in Sub-Saharan Africa, for example, is only 46 years.

With few exceptions, the gender gap in life expectancy (that is, female minus male life expectancy) is very high in the transition region; generally much higher than in other parts of the world. Females on average live eight years longer than males in CEE, and 12 years in Eurasia (ranging widely from six in Armenia, Uzbekistan and Tajikistan to 13 in Russia). This contrasts with a gender difference of six years in the advanced economies and only three years in the developing countries (ranging from seven in Latin America and the Caribbean to one in Sub-Saharan Africa).

Table 20 and *Figures 36* through *39* examine infant, child, and youth mortality rates. The source of these data is an important issue because there are considerable discrepancies in some of the country estimates between the different sources. UNICEF estimates generally show infant and child mortality rates to be higher than World Bank measures in many countries of the former Soviet Union and in the Southern Tier CEE. Estimates from USAID-financed demographic and health surveys in half dozen transition countries

(in the Caucasus, Central Asian Republics, and in Romania) show even higher mortality rates in most cases.[37]

However, all the data sets are reasonably consistent in regards to how mortality rates are changing over time. Here, the results are striking and very encouraging. From *Table 20* and *Figures 36* and *37*, we see that infant and child mortality rates have fallen in all three sub-regions over the transition, by about 20% for the transition region overall. According the World Bank, only two countries, Ukraine and Georgia, have not experienced a drop in infant mortality rates from 1990-2000.

The decrease in infant mortality rates in the 1990s is consistent with significantly falling rates in the 1980s. However, the overall dramatic drop over the past 20 years has not been a linear one, at least for most of the Southern Tier CEE countries and for countries of the former Soviet Union where infant mortality rates increased in the early transition years.

The Northern Tier CEE trends have been the most favorable: infant and child mortality rates were the lowest in the Northern Tier CEE at the outset of the transition and have fallen the most there during the transition, by almost one half. Most Northern Tier CEE rates exceed EU rates, but the gap has been closing (and two countries, the Czech Republic and Slovenia now have infant mortality rates on par with the EU average).

Infant and child mortality rates on average in the Southern Tier CEE and in Eurasia are at least twice the Northern Tier CEE rates, depending on data sources. *Figure 38* highlights the range in estimates of infant mortality rates. The greatest discrepancies in estimates are found in the Central Asian Republics and in the Caucasus.

Figure 39 shows select trends in youth mortality rates, differentiated by males and females. Trends vary widely according to gender and geography. Female youth mortality rates (in Russia, Kazakhstan, Armenia, Croatia, and the Czech Republic) are much lower than their male counterparts, and are much more stable over time. Male youth mortality trends differ significantly according to country. They are highest (and rising at least through 1998) in Russia and Kazakhstan. Of the five countries sampled, male youth mortality rates are far lower and have changed little during the transition in the Czech Republic. Male youth mortality rates have been among the most volatile during the transition in Croatia and Armenia, presumably largely a consequence of wars.

Trends in education enrollments and public expenditure are highlighted in *Table 21* and *Figures 40-43*. As with infant and child mortality rates, estimates of education

[37] According UNICEF, *Social Monitor 2002* (September 2002), there may be two primary reasons why discrepancies in these mortality rates prevail. One, officially-provided infant and child mortality rates may underestimate the true rate because many people may not be registering births (due to birth registration fees); and, if an infant's birth is not registered, then his or her death may not be registered either. Second, the definition of a "live birth" may differ between estimates. In particular, premature and low-birth weight infants who survived only 7 days or less may not be included in official infant mortality statistics in parts of the former Soviet Union. This "Soviet" definition differs from the more common international convention recommended by the World Health Organization.

enrollment sometime vary significantly by source, in particular, between the World Bank and UNICEF estimates.

Overall, the data (of *Table 21*) show a small decline in primary and secondary school enrolments in the transition region from 1989/90 to 1997/98 from relatively high enrollment levels. However, differences between sub-regions are significant, particularly in regards to secondary school enrollment. As evident in *Figure 40*, drawing from the World Bank, secondary school enrollment increased from 84% in 1990 to close to 97% by 1997 in the Northern Tier CEE. By contrast, it fell in both the Southern Tier CEE and Eurasian regions, and is lowest in the Southern Tier CEE. These general trends between sub-regions hold in regards to primary school enrollments as well (*Figure 41*).

Figure 42 draws from UNICEF estimates of secondary school enrollments from 1989-2000 for a handful of transition countries. As with the World Bank estimates, these data show large differences in enrollment levels and trends between transition countries and sub-regions: highest and increasing in two Northern Tier CEE countries (Hungary and Poland); and large drops in enrollments in some of the poorer transition countries, including Tajikistan, Georgia, Moldova, and Albania. However, it may be significant to note, as suggestive in *Figure 42*, that secondary school enrollments may have "bottomed out" in many of the countries which have suffered from substantial drops in enrollments during 1990s.[38]

The amount of public expenditure on education varies widely among the transition countries as well. *Figure 43* illustrates the range by showing such expenditure patterns in four transition countries, and compares them with OECD and developing countries' averages. OECD governments spend roughly between 5-6% of GDP on education; Poland's government does as well. Developing country governments spend roughly 3.5-4.5% of GDP on average on education; Romania's government public expenditure on education is slightly lower than that. Education expenditure levels (as a percent of GDP) in both Romania and Poland have been relatively constant throughout the transition. Georgia and Armenia represent the other extreme, where education expenditure plummeted from roughly 6-9% of GDP to about 1-3% of GDP in two years early on in the transition. By 1999, both governments of Georgia and Armenia were spending close 2% of GDP on education. This represents an increase for Georgia since 1994, and a slight increase for Armenia since 1997. More systematic analysis of UNICEF's data (and how it compares with World Bank's data) on education expenditure as well as on school enrollments is needed.

Table 22 provides data from the UNDP that attempt to gauge trends in human development in the transition countries. The UNDP's Human Development Index (HDI) is based on three indicators: longevity, as measured by life expectancy; educational

[38] Completion rates, though harder to come by, may be as equally revealing as enrollment rates, particularly in the poorer countries and areas. Kosovo is a good example. While primary school enrollment in Kosovo is relatively high (over 90%), only 73% of Kosovar children finish the third grade. Secondary school enrollment in Kosovo is much lower: 54% for females, and 65% for males. Yet, only 45% of these enrolled high school students in Kosovo finish secondary school. UNDP, *Human Development Report: Kosovo* (2002).

attainment, as measured by a combination of adult literacy (two-thirds weight), and combined primary, secondary, and tertiary enrollment ratios (one-third weight); and standard of living, as measured by real GDP per capita (PPP$). The HDI ranges from zero to one; the higher is the value, presumably the greater is the human development. The UNDP classifies 173 countries into three categories in the *Human Development Report 2002*: high; medium; and low human development.

Nine transition countries, in addition to 44 other countries, are now considered by the UNDP to have reached "high human development:" all eight Northern Tier CEE countries plus Croatia. Last year, this list included only six transition countries; that is, Lithuania, Latvia, and Croatia were all in the "medium" human development category. Slovenia ranks the highest, 29th out of the 173 worldwide sample. The Eurasian countries have the lowest HDI rating of the three sub-regions on average, though the differences in scores among the Eurasian countries are large, ranging from Belarus (ranked 56th) to Tajikistan (ranked 112th). From 1990-2000, 11 countries backslid on their HDI scores, while only seven increased their scores (five Northern Tier CEE countries in addition to Croatia and Albania).

Child malnutrition is high in some countries, though more data are needed to fill in the picture further (*Figure 44*). Results from the RLMS show about one in three children in Russia in 2000 was either wasted (i.e. characterized by low height for age due to chronic malnutrition) or stunted (characterized by low weight for age due to acute malnutrition). While high, this nevertheless represents a decrease from earlier in the transition (1992-1994). Child malnutrition is also high in the Central Asian Republics, the Caucasus, and Albania. It may be highest in Tajikistan where almost two out of three children were malnourished in 1998. In all cases, the proportion of children suffering from chronic malnutrition (i.e. stunted) is greater than the proportion of children suffering from acute malnutrition (wasted).

Social capital (and reform fatigue). This section briefly explores one reason, beyond humanitarian concerns and human capital concerns, why social conditions may matter. In particular, without adequate support from the general population, moving forward on transition reforms may be very difficult. In this context, *Figures 45* through *47* attempt to address household perceptions and/or attitudes.[39] Trust in institutions (a rough proxy for social capital) was very low in a sample of households in 12 countries in 1998. This applies to public institutions from the parliament, the courts, and civil servants more broadly, as well as to private institutions, including the press and private enterprise more broadly. In most all institutions, with the exception of the church, only 30% or fewer of the population had trust.[40]

[39] Data are from household surveys by the Center for the Study of Public Policy (CSPP) at the University of Strathclyde in Glasgow in collaboration with the Paul Lazarsfeld Society in Vienna. Richard Rose is the director of the CSPP. *Appendix II* of *Monitoring Country Progress* #6 (May 2000) provides elaboration on the methodology and results of earlier CSPP surveys.

[40] An updated 2001 survey in Russia found very similar results: 23% of the population had trust in the courts; 7% in parliament; 30% in churches; and 7% in private enterprise. However, trust was much higher for the president (if not the presidency): 50%.

Nor are many people pleased with their own household economic situation (*Figure 46*). This applies even in the Northern Tier: in 2001, 72% of Slovakians claimed to be unsatisfied with their economic conditions; 70% in Poland; 49% in the Czech Republic; and 37% in Slovenia. Dissatisfaction is highest in Russia (the only Eurasian country included in this sampling of seven countries); 85% of the Russians sampled were dissatisfied. Dissatisfaction in household economic conditions has been very high in Bulgaria as well: 82% in 2001. A more meaningful barometer may be those who have been "very unsatisfied"; this proportion is significantly smaller in all seven countries, though particularly in the case of Slovenia, the Czech Republic, and Romania. Still, dissatisfaction levels, however defined, have increased in four of these countries from 1998-2001: Russia, as well as three Northern Tier CEE countries; Slovakia; Poland; and slightly in the Czech Republic.[41]

Finally, how many people want to return to communism (*Figure 47*)? While not nearly as large as the proportion of those who are dissatisfied with their economic conditions, the percentage of those who maintain that they want to go back to communism is significant, and in many cases, continues to increase. It is highest in the three Eurasian countries sampled: 51% in Ukraine (in 1998); 47% in Russia (in 2001) and 33% in Belarus (in 1998). However, it is also close to 20% of the population in Hungary, Romania, Slovenia, Poland, and Bulgaria. It is lowest in the Baltics (9% in 2001). As with perceptions of economic conditions, it may be more meaningful to disaggregate the response, differentiating between those who "strongly agree" with those who "rather agree." Those who strongly agree that a return to communism is a good idea are a much smaller group in all the CEE countries, except Bulgaria. In Russia, 25% of the population sampled in 2001 "strongly agreed" that returning to communism was a good idea. No data are available in the case of Belarus and Ukraine.

[41] These CSPP data run counter to RLMS results in regards to trends over time in household economic satisfaction levels in Russia; i.e., the RLMS data reveal satisfaction levels increasing in Russia from 1998 to 2000.

Table 15. Unemployment Rate

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	1999-2001[1] (average)
CEE											
Slovenia	8.3	9.1	***9.1***	7.4	7.3	7.1	7.6	7.4	7.2	5.9	6.8
Czech Republic	2.6	3.5	3.2	2.9	3.5	5.2	7.5	***9.4***	8.8	8.9	9.0
Hungary	9.3	***14.5***	12.4	12.1	11.8	11.6	10.1	9.9	9.1	8.4	9.1
Romania	8.2	10.4	10.9	9.5	6.6	8.9	10.3	***11.8***	10.5	8.6	10.3
Estonia	…	6.5	7.6	9.8	10.0	9.7	9.9	12.4	***13.8***	12.7	13.0
Latvia	3.9	8.7	16.7	18.1	***19.4***	14.8	14.0	13.5	13.2	13.1	13.3
Croatia	13.2	14.8	14.5	14.5	10.0	9.9	11.4	13.6	***16.1***	15.3	15.0
Poland	14.3	16.4	16.0	14.9	13.2	8.6	10.4	13.0	15.1	***17.3***	15.1
Lithuania	1.3	4.4	3.8	17.5	16.4	14.1	13.3	14.1	15.4	***17.0***	15.5
Bulgaria	15.3	16.4	12.8	11.1	12.5	13.7	12.2	16.0	***17.9***	17.4	17.1
Albania	***27.9***	24.8	16.1	13.9	9.3	14.9	17.8	18.0	16.8	19.0	17.9
Slovakia	10.4	14.4	14.6	13.1	12.8	12.5	15.6	19.2	17.9	***19.8***	19.0
Yugoslavia	…	23.1	23.1	24.6	25.8	25.8	25.1	26.5	***27.3***	…	26.3
FYR Macedonia	27.8	28.3	31.4	***37.7***	31.9	36.0	34.5	32.4	32.1	30.5	31.7
Bosnia-Herzegovina	…	…	…	…	…	37.0	38.0	40.0	***40.1***	…	39.4
Eurasia											
Uzbekistan	0.1	0.3	0.4	0.4	0.4	0.4	0.5	0.5	***0.6***	…	0.5
Azerbaijan	***…***	…	0.6	0.7	0.8	1.0	1.1	1.2	1.2	1.3	1.2
Moldova	0.7	0.7	1.1	1.4	1.8	1.5	1.9	***2.3***	2.1	…	2.1
Belarus	0.5	1.4	2.1	2.7	***3.9***	2.8	2.3	2.2	2.1	2.2	2.2
Tajikistan	0.3	1.2	1.7	2.0	2.6	2.8	***2.9***	2.8	2.5	2.5	2.6
Ukraine	0.2	0.3	0.3	0.3	1.3	2.3	3.7	**4.3**	4.2	3.7	4.1
Kyrgyzstan	…	…	3.1	4.4	***6.0***	4.3	4.3	5.4	5.6	…	5.1
Kazakhstan	0.4	0.6	8.1	***13.0***	8.6	7.3	6.6	6.3	12.2	11.0	9.8
Russia	5.3	6.0	7.8	8.5	9.6	10.8	11.9	***12.6***	10.5	9.0	10.7
Armenia	3.5	6.3	6.6	6.7	9.3	10.8	9.4	11.2	***11.7***	9.6	10.8
Georgia	5.4	9.1	3.6	3.1	2.8	7.7	12.3	***12.7***	10.3	…	11.8
Turkmenistan	…	…	…	…	…	…	…	…	…	…	…
CEE & Eurasia	5.6	7.1	7.7	8.2	8.2	8.7	9.2	***10.5***	10.2	9.6	10.1
Northern Tier CEE	10.5	13.0	12.7	12.6	11.8	9.3	10.5	12.4	13.3	***14.5***	13.4
Southern Tier CEE	12.8	16.1	15.3	14.9	13.2	14.9	12.6	***18.5***	***18.5***	17.7	16.6
Eurasia	3.2	3.8	5.0	5.7	6.3	7.5	8.3	***8.5***	7.7	6.7	8.0
Advanced Economies	7.2	***7.6***	7.4	7.0	7.1	6.8	6.7	6.4	5.9	6.0	6.1
USA	***7.5***	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.8	4.3
EU	9.4	10.7	***11.1***	10.7	10.7	10.4	9.7	9.1	8.2	7.7	8.2
Benchmarks											< 10.0

1 Average for Bosnia-Herzegovina, Georgia, Kyrgyzstan, Moldova, Uzbekistan, and Yugoslavia are from 1998-2000. Some of the estimates, most notably for Eurasia, remain registered unemployment figures that typically underestimate the true unemployment rate. This includes figures for Armenia, Belarus, Kyrgyzstan, Moldova, Tajikistan, and Uzbekistan. In Tajikistan, the World Bank estimates the unemployment rate in 1998 at about 30%. In Turkmenistan, unemployment does not officially exist since every citizen is guaranteed employment. However, a household survey found urban unemployment at 19% in 1998. Unofficial estimates in Armenia indicate substantially higher unemployment. The figures for Yugoslavia exclude workers that are on "forced holidays" (or about 20-25% of the labor force). The figures for Albania do not account for emigrant workers abroad (about 18% of the labor force in 1995). Peak years are in bold print.

EBRD, *Transition Report Update* (May 2002) and *Transition Report 2000* (November 2000); IMF, *World Economic Outlook* (April 2002).

Figure 24

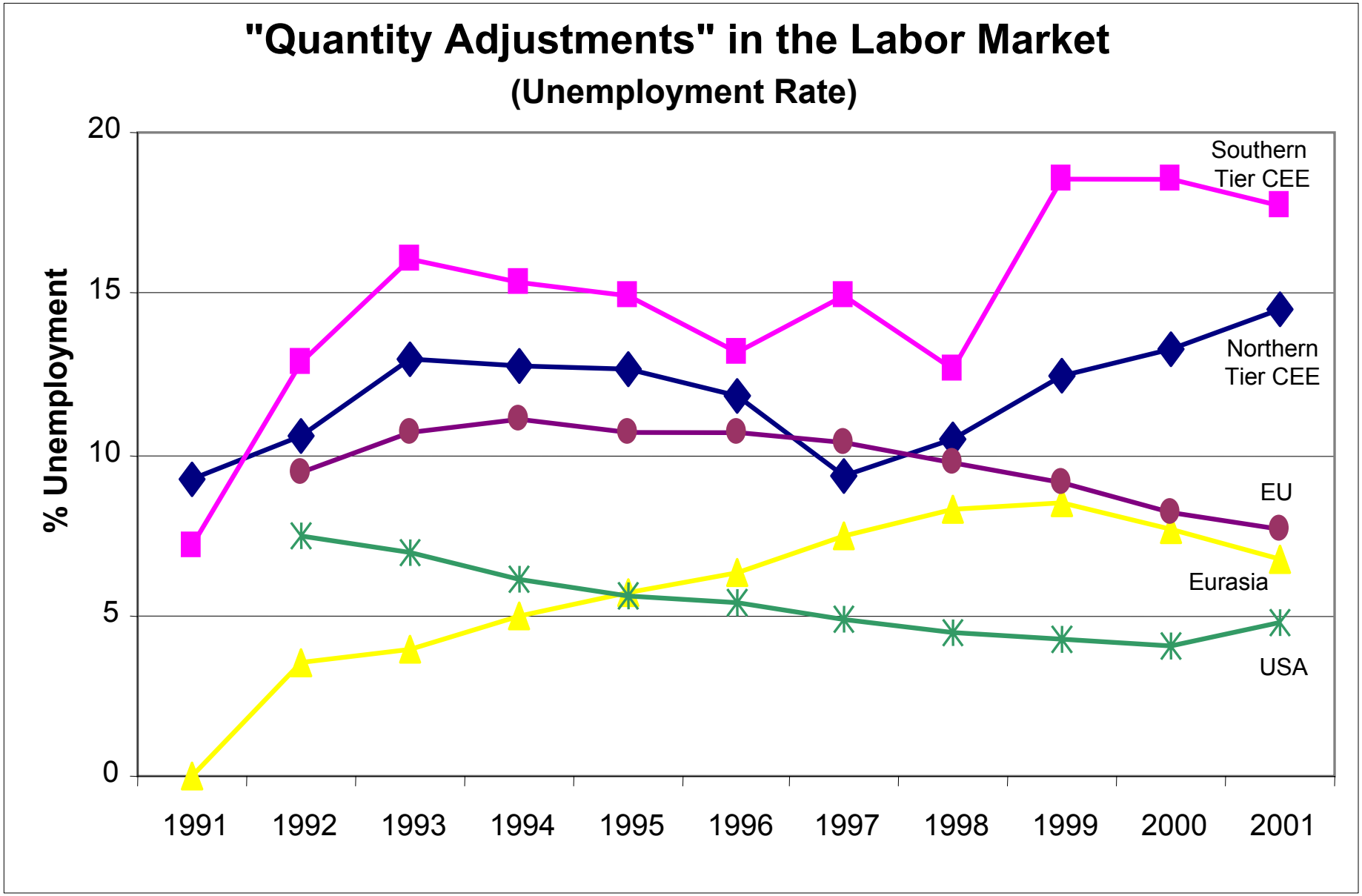


Table 15, *Monitoring Country Progress* (October 2002), drawing from EBRD, *Transition Report Update* (April 2001) and previous editions; IMF, *World Economic Outlook* (April 2002).

Table 16. Long-Term Unemployment in CEE
(% of Total Unemployed)

Country	1992	1993	1994	1995	1996	1996 - 98	1998 - 00	% Change: 1992 -00[1]
Albania	…	65	…	…	...	…	…	...
Bulgaria	…	53	59	***66***	64	60	59	11
Croatia	58	58	55	…	...	…	***61***	5
Czech Republic	14	19	22	31	33	31	***49***	249
Estonia	…	…	…	…	…	…	47	…
Hungary	18	33	41	48	***52***	51	44	146
Latvia	…	…	…	…	...	***63***	52	...
Lithuania	…	…	…	…	…	…	22	…
FYR Macedonia	86	87	***88***	82	81	…	…	-5
Poland	24	36	38	***42***	38	38	38	58
Romania	21	…	45	47	42	***47***	44	110
Slovakia	…	33	43	54	***56***	50	46	40
Slovenia	46	55	***57***	53	53	55	41	-12
Northern Tier CEE	22	33	37	***43***	41	41	41	85
Southern Tier CEE	31	***60***	52	54	50	51	48	53
CEE Overall	25	39	42	***46***	44	44	44	74
France	36	34	38	40	38	41	***43***	18
Germany	33	36	38	40	...	48	***52***	57
Spain	47	50	56	***57***	...	56	47	0
Sweden	8	11	17	16	17	***30***	***30***	276
UK	30	38	***40***	38	36	39	30	-1
US	...	...	...	...	...	9	6	...

1 Percentage change for FYR Macedonia 1992-96.

The long-term unemployed are those who are unemployed for more than one year. Peak years are in bold print.

World Bank, *World Development Indicators 2002* (2002); C. Allison and D. Ringold,*Labor Markets in Transition in Central and Eastern Europe: 1989-1995*; World Bank, *Social Challenges of Transition Series*(December 1996); and Bureau of the Census*Populations at Risk in CEE: Labor Markets, No. 2*, prepared for USAID/ENI/PCS (February 1995).

Figure 25

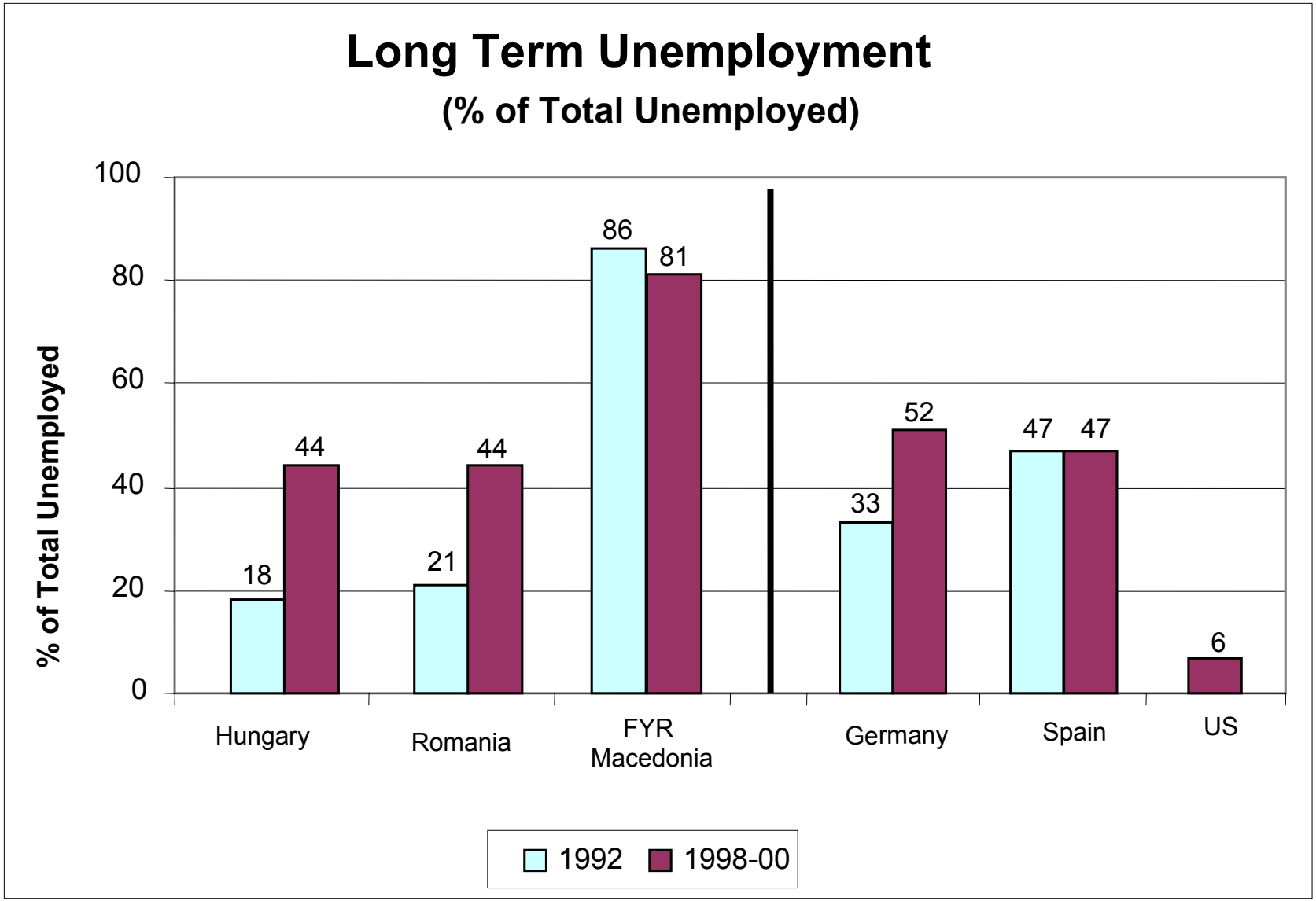
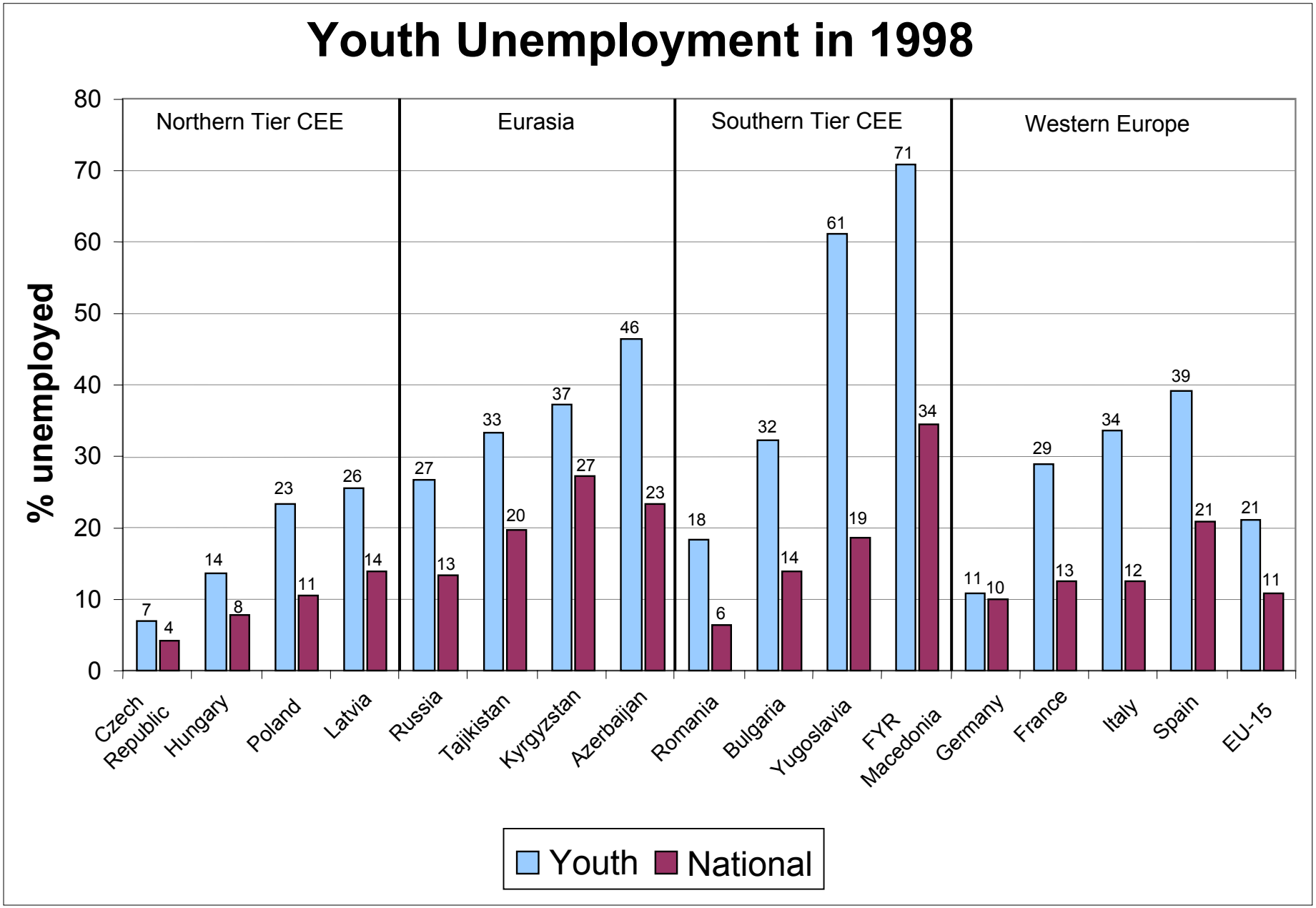


Table 16, drawing from World Bank, *World Development Indicators 2002* (2002); C. Allison and D. Ringold, *Labor Markets in Transition in Central and Eastern Europe: 1989-1995*; World Bank, *Social Challenges of Transition Series* (December 1996); and Bureau of the Census, *Populations at Risk in CEE: Labor Markets*, No. 2, prepared for USAID/ENI/PCS (February 1995). The long-term unemployed are those who are unemployed for more than one year. Latest year long term unemployment rate for Macedonia (81%) is 1996.

Figure 26



Youth are from 15-24 years of age.
UNICEF, Regional Monitoring Report No. 7, *Young People in Changing Societies* (2000).

Table 17. Per Capita Income and Distribution of Income and Consumption

	Distribution of Income[1]				% change		Distribution of Consumption 1997-99[3]	2001 Average Income	
	87/90	93/94	95/96	97/99	1987-99	Most Recent[2]		US$	PPP$
Slovenia	22	29	…	25	14	-14	27	10,800	17,800
Czech Republic	19	23	24	…	26	4	24	5,440	14,280
Hungary	21	23	…	24	14	4	27	4,910	12,490
Slovakia	…	20	…	…	…	…	…	3,810	11,370
Estonia	24	35	…	36	50	3	37	3,790	9,890
Poland	28	28	…	30	7	7	31	4,220	9,070
Russia	26	48	…	47	81	-2	46	1,740	8,400
Croatia	36	…	…	35	-3	…	30	4,820	8,310
Belarus	23	…	25	25	9	0	30	2,960	7,770
Latvia	24	…	31	32	33	3	32	3,160	7,640
Lithuania	23	33	…	33	43	0	32	3,090	7,350
Romania	23	29	…	30	30	3	…	1,760	6,700
Kazakhstan	30	33	34	…	13	3	…	1,430	6,220
Bulgaria	23	38	40	…	74	5	27	1,600	5,840
FYR Macedonia	…	…	36	…	…	…	32	1,730	4,770
Turkmenistan	28	36	…	39	39	8	…	820	4,150
Ukraine	24	…	27	31	29	15	32	770	4,050
Bosnia-Herzegovina	…	…	…	…	…	…	…	1,310	3,930
Albania	…	…	25	…	…	…	…	1,190	3,820
Azerbaijan	28	43	…	42	50	-2	…	660	2,980
Georgia	29	…	…	41	41	…	35	660	2,810
Armenia	27	…	…	58	115	…	31	570	2,810
Yugoslavia	…	…	…	…	…	…	…	990	2,760
Kyrgyzstan	31	55	…	44	42	-20	39	290	2,640
Uzbekistan	…	33	…	40	…	21	…	370	2,420
Moldova	27	…	…	41	52	…	40	420	2,330
Tajikistan	28	…	…	47	68	…	31	200	1,180
CEE & Eurasia	26	40	…	40	50	3	38	1,960	6,910
Northern Tier CEE	24	24	…	28	14	5	29	4,530	10,540
Southern Tier CEE	25	31	…	31	36	4	29	1,760	5,480
Eurasia	26	47	…	44	61	3	41	1,320	6,350
Advanced Economies		32			3			28,455	28,548
EU		28			2			22,404	24,332
United States				41					
Italy			27						
Germany		30							
Austria	23								
Sweden		25							
Brazil			60						
Guatemala	60								
South Africa		59							

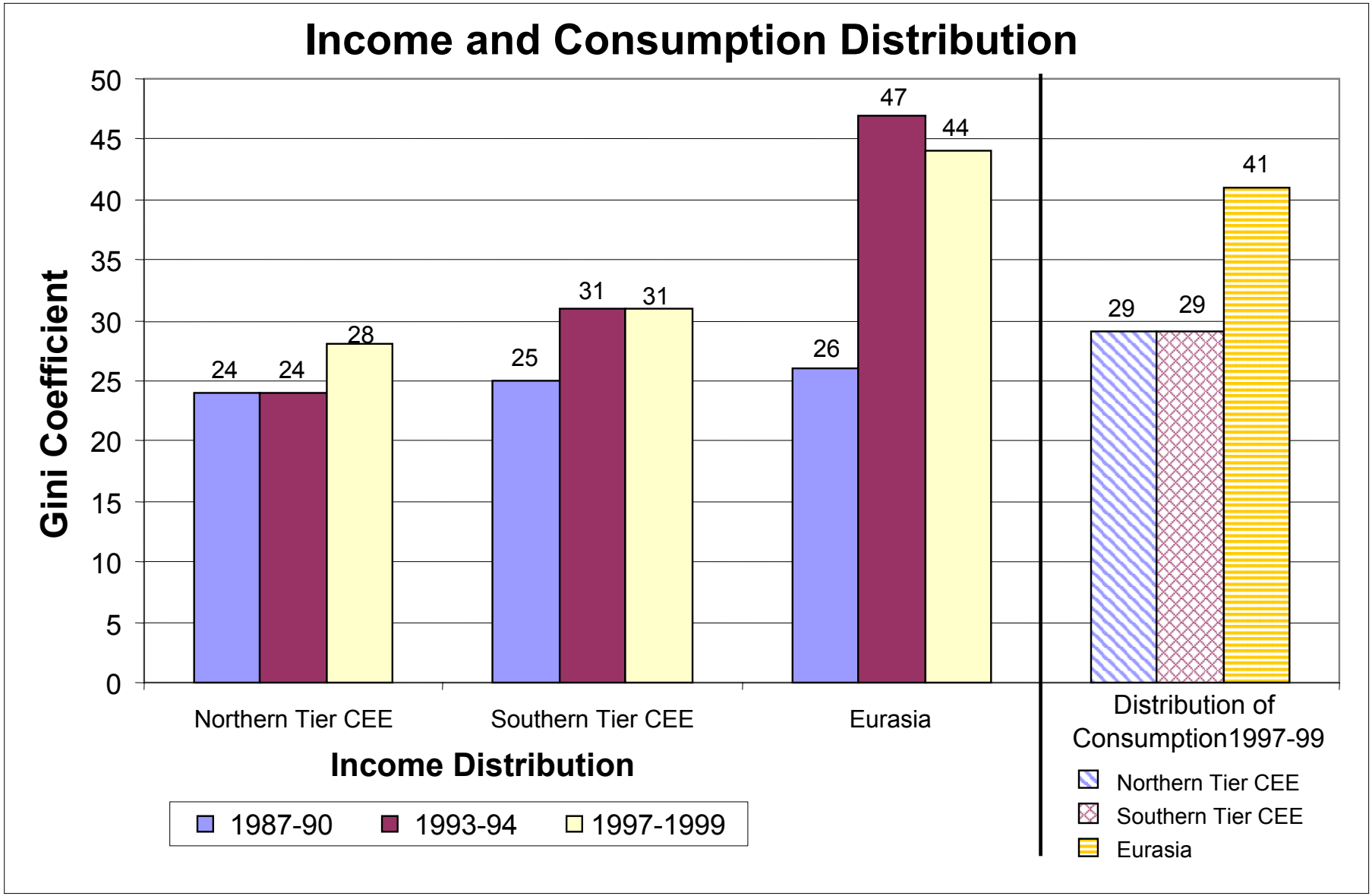
Note: Average (or per capita) income is measured in US$ converting through official exchange rates, and through purchasing power parity (PPP) figures, using 2000 World Bank figures and updating to 2001 with 2001 per capita economic growth rates. The distribution of income and consumption are measured by the gini coefficient, which ranges from 0 to 100; the higher the figure, the greater the inequality. Most gini coefficient estimates, particularly the later years, are adjusted for household economies of scale (theta = 0.75). For the Advanced Economies and the EU, percent change in income distribution is roughly from 1986 to 1993.

1 A consumption gini coefficient was used in lieu of income due to insufficient income data in the case of Azerbaijan (in 1993-94 and 1997-99), Albania (1995-96), Kazakhstan (1995-96), Ukraine (1995-96), Romania (1997-99) and Turkmenistan (1997-99

2 From 1995/96 to 1997/99 if available; otherwise from 1993/94 to 1997/99 or 1993/94 to 1995/96. 3 Data for Bulgaria, Czech Republic and FYR Macedonia are for 1995-96

World Bank, *World Development Indicators* (2002), World Bank, *Poverty Reduction, Growth and Debt Sustainability in Low Income CIS Countries* (February 2002); IMF, *World Economic Outlook* (May 2001), World Bank, *Making Transition Work for Everyone* (September 2000); P. Gottschalk and T. Smeeding, "Cross-National Comparisons of Earnings and Income Inequality,"*Journal of Economic Literature* 35 (June 1997), pp. 633-687.

Figure 27



The distribution of income and consumption are measured by the Gini coefficient, which ranges from 0 to 100; the higher the figure, the greater the inequality. Most Gini coefficient estimates, particularly the later years, are adjusted for household economies of scale (theta = 0.75).

Table 19, *Monitoring Country Progress No. 7* (October 2001), and World Bank, *World Development Indicators 2002* (2002); World Bank, *Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia* (September 2000).

Figure 28

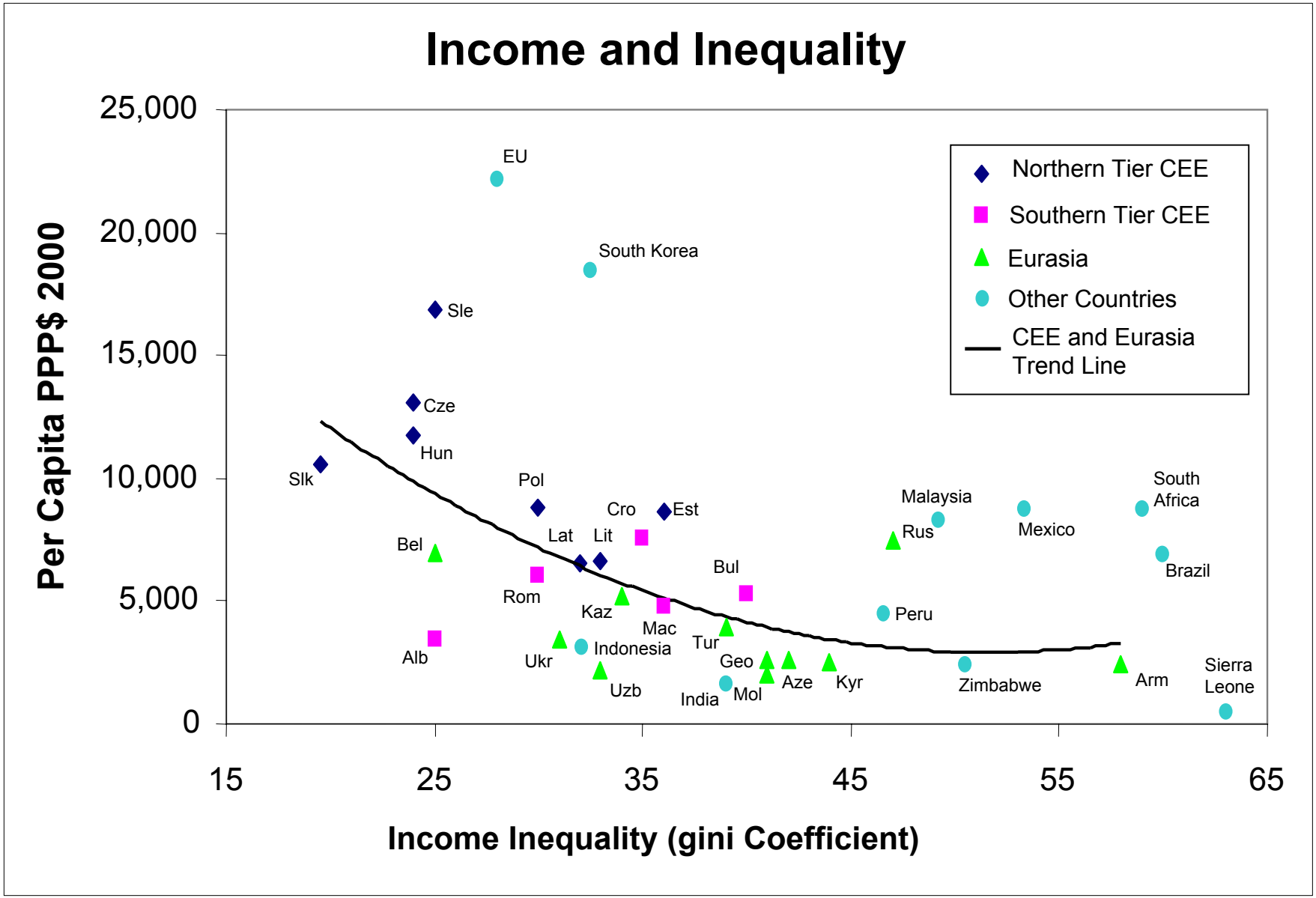


Table 17, drawing from World Bank, *World Development Indicators 2002 (2002);* World Bank, *Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia* (September 2000).

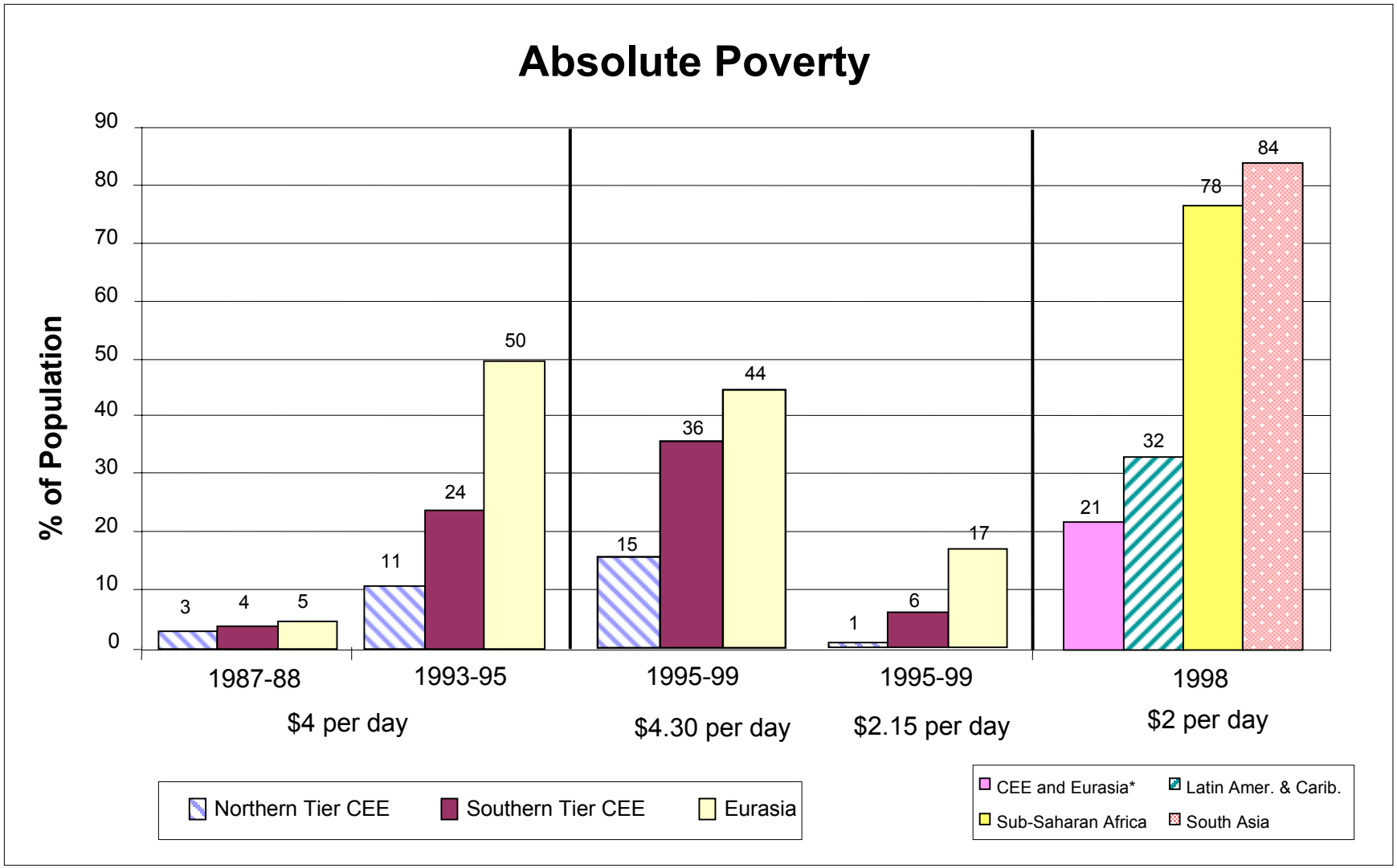
Table 18. Absolute Poverty

	$4 a day		Survey Year	$2.15/day	$4.30/day
	1987-1988	1993-1995			
Slovenia	0	1	1997/98	0	1
Czech Republic	0	1	1996	0	1
Croatia	…	…	1998	0	4
Slovakia	0	1	1997	3	9
Belarus	1	22	1999	1	10
Hungary	1	2	1997	1	15
Bulgaria	2	15	1995	3	18
Poland	6	14	1998	1	18
Estonia	…	37	1998	2	19
Uzbekistan	24	39	1999	…	22
Lithuania	1	30	1999	3	23
Ukraine	2	63	1999	3	29
Kazakhstan	5	62	1996	6	31
Turkmenistan	12	57	1998	7	34
Latvia	1	22	1998	7	35
FYR Macedonia	…	…	1996	7	44
Romania	6	28	1998	7	45
Russia	2	44	1998	19	50
Georgia	…	40	1999	19	54
Albania	…	…	1996	12	59
Azerbaijan	…	50	1999	24	64
Kyrgyzstan	12	86	1998	49	84
Moldova	4	66	1999	55	85
Armenia	…	40	1999	44	86
Tajikistan	…	100	1999	68	96
Yugoslavia	…	…	…	…	…
CEE & Eurasia	4	40		12	39
Northern Tier CEE	3	11		1	15
Southern Tier CEE	5	24		6	36
Eurasia	4	50		17	44
UK	1				
Turkey	31				
Malaysia	15				
Brazil	33				
Latin Amer. & Carib.*				32	
South Asia*				84	
Sub-Saharan Africa*				78	

Branko Milanovic,*Income, Inequality, and Poverty during the Transition from Planned to Market Economy* (World Bank, 1998); World Bank, *Making Transition Work for Everyone* (September 2000); World Bank, *Poverty Reduction, Growth and Debt Sustainability in Low Income CIS Countries* (February 2002); and World Bank, *Global Economic Prospects* (2001).

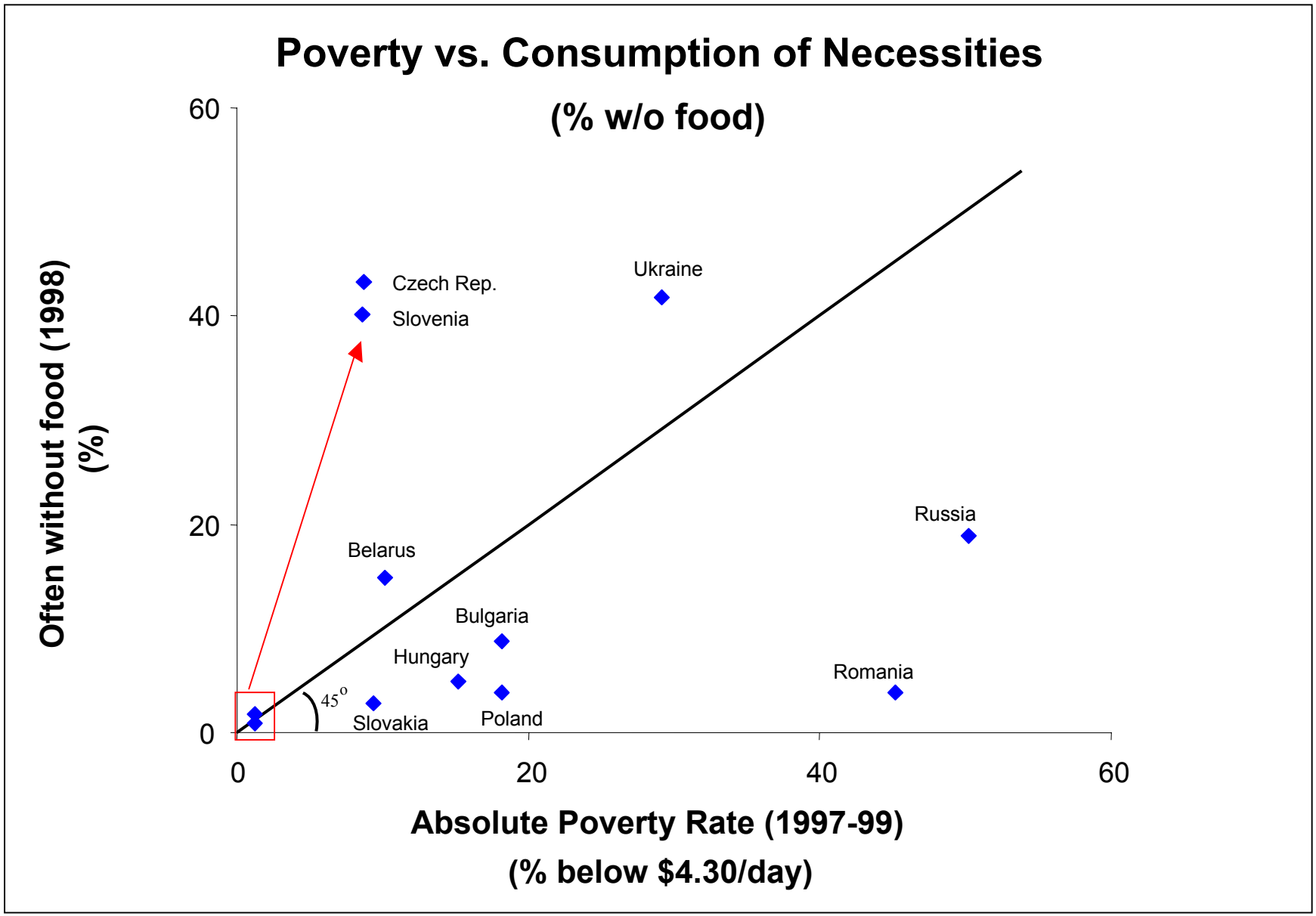
* Poverty at $2 dollars a day

Figure 29



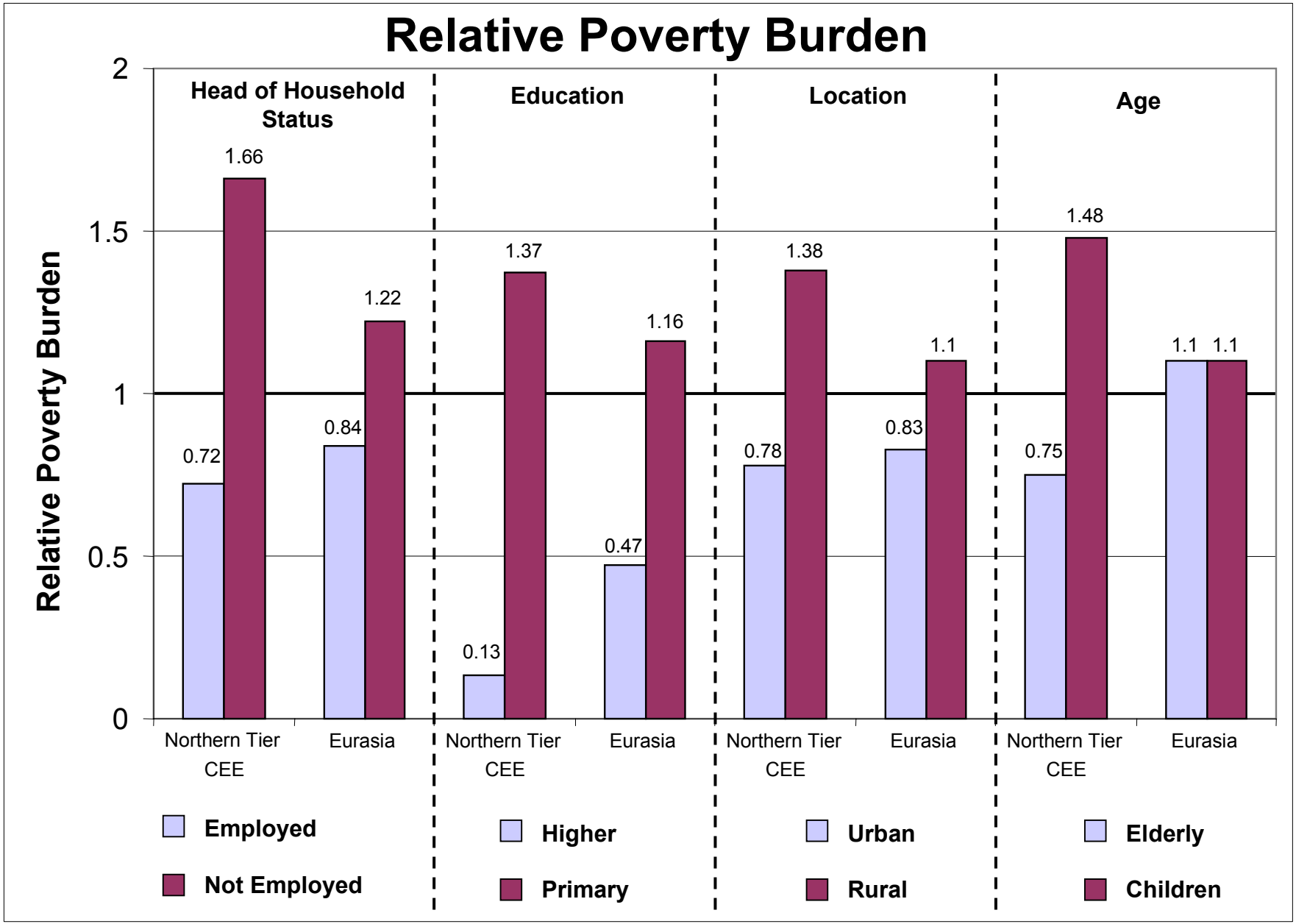
Branko Milanovic, *Income, Inequality, and Poverty during the Transition from Planned to Market Economy* (World Bank, 1998); World Bank, *Making Transition Work for Everyone* (September 2000); World Bank, *Global Economic Prospects* (2001).
* Turkey is included in the World Bank's classification of CEE and Eurasia.

Figure 30



Data on the percentage of households in 1998 having to often do without food are from two household surveys: R. Rose & C. Haerpfer, *New Democracies Barometer V: A 12 Nation Survey*, CSPP, #306 (1998); and Rose, *New Russia Barometer Trends Since 1992*, CSPP, #320 (1999).
Poverty rates measure the percent of population below a poverty line of $4.30 per day, and are drawn from World Bank, *Making Transition Work for Everyone* (September 2000).

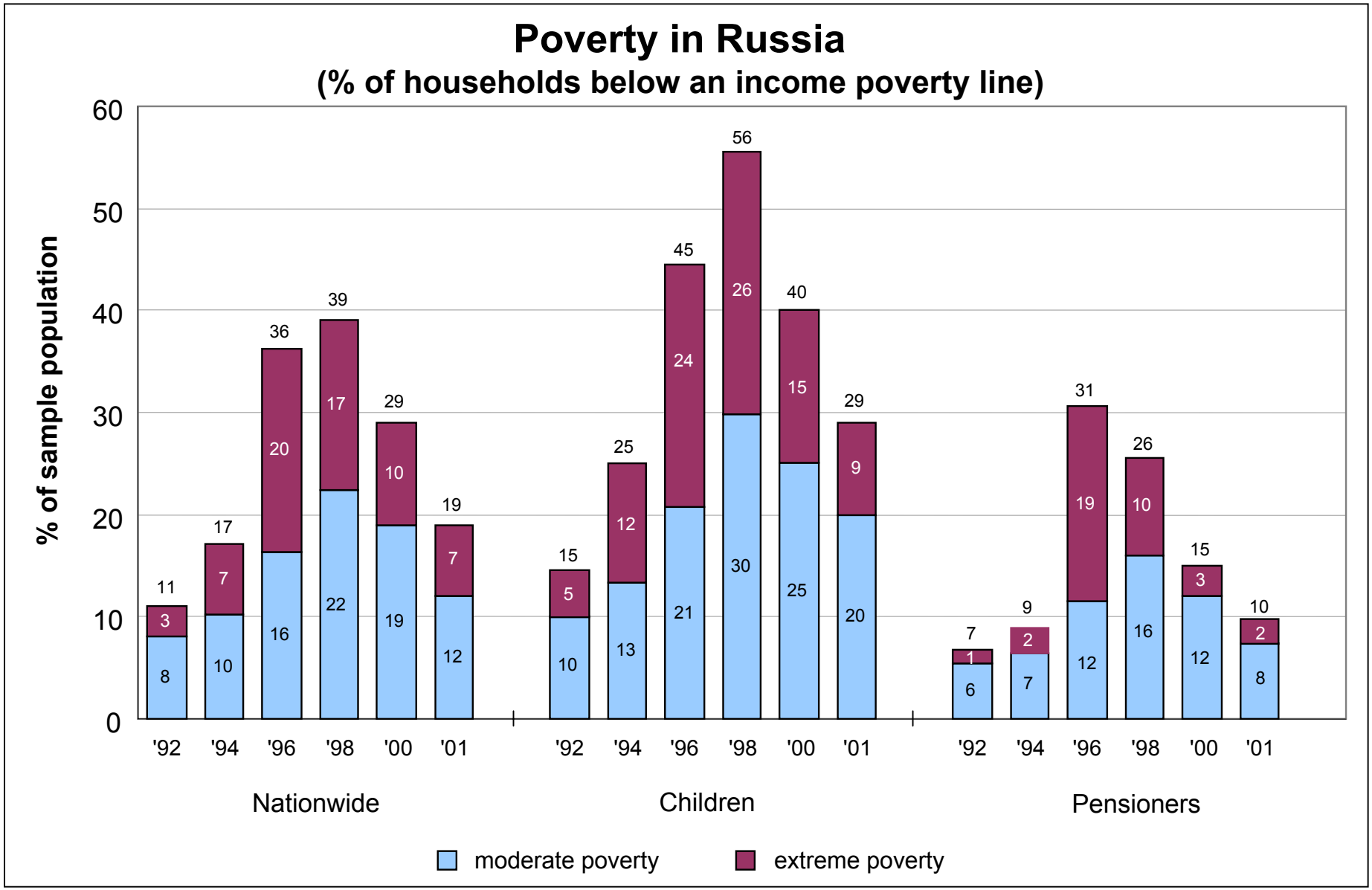
Figure 31



Relative poverty burden is calculated by dividing a particular population segment's share of total poverty in the country by its share of the total population. Anything over "1" represents a disproportionate share (or burden) of the nation's poverty. The relative poverty line used is 50% of the median income.

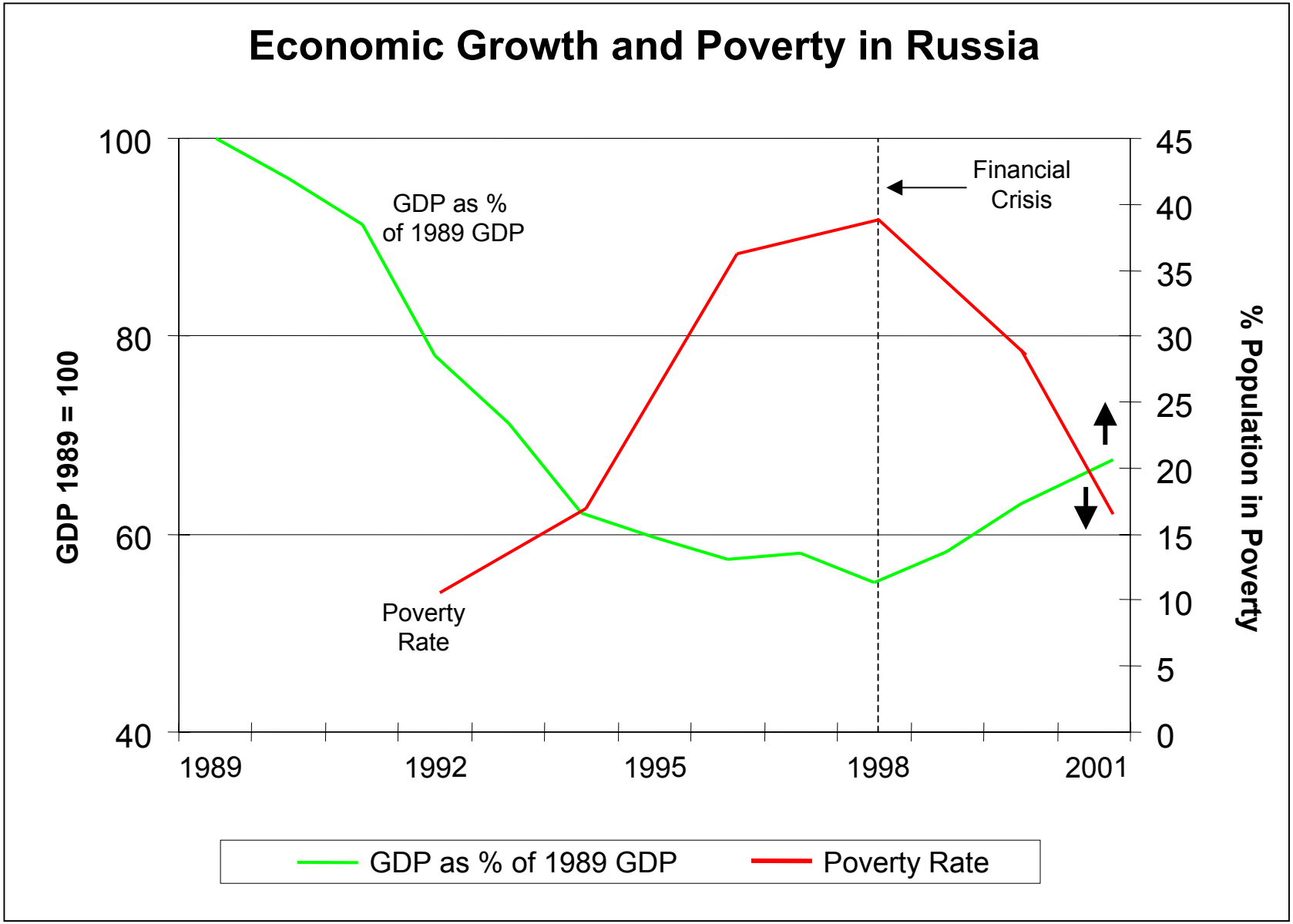
Table 21, *Monitoring Country Progress No. 7* (October 2001), drawing from World Bank, *Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia* (September 2000).

Figure 32



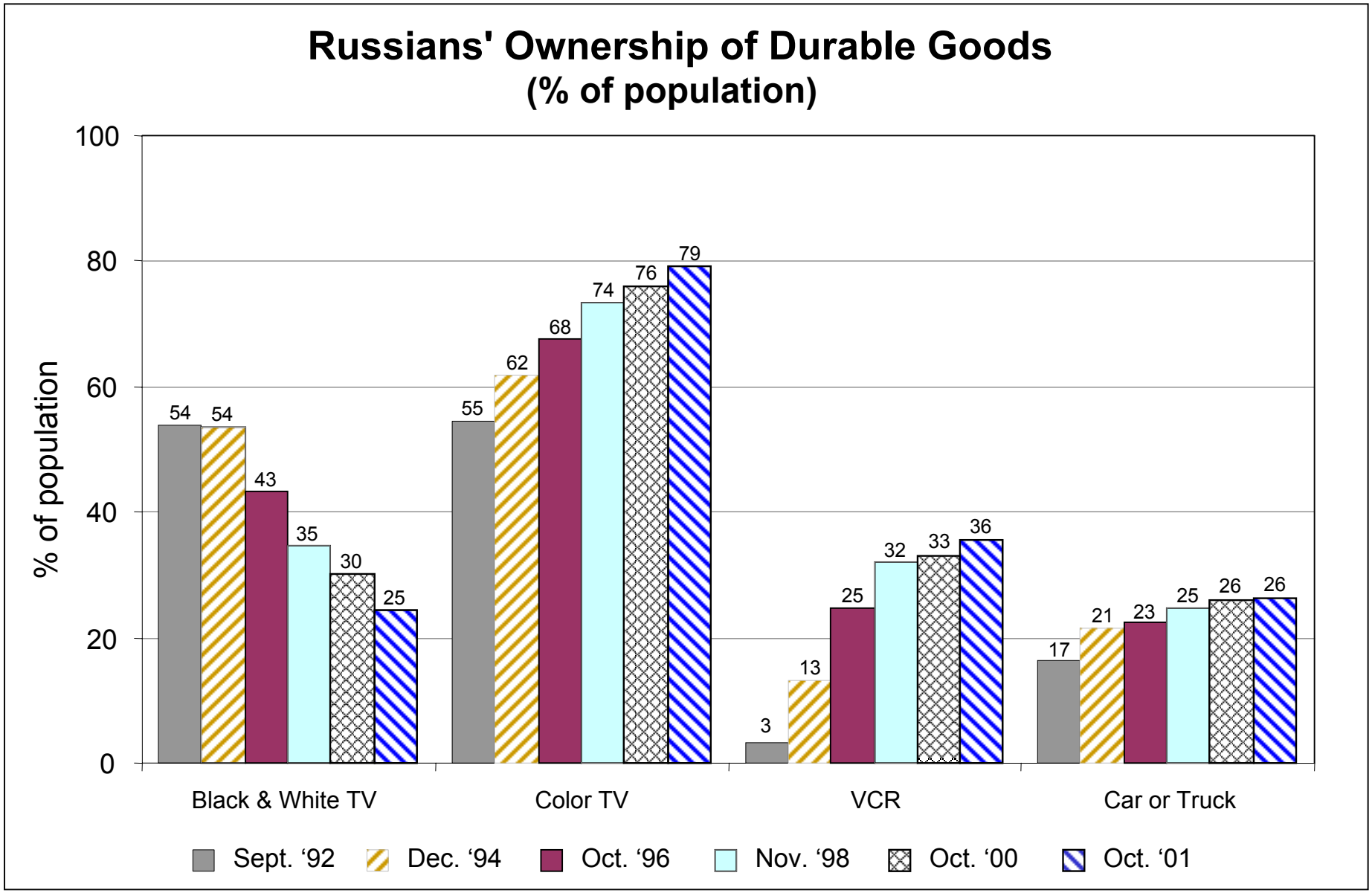
The poverty measures use a poverty line based on adjustments for economies of scale, oblast-level prices, and regional food baskets. Extreme poverty is income less than 50% of the poverty line. Mroz, Mancini, & Popkin, *Monitoring Economic Conditions in the Russian Federation: The Russia Longitudinal Monitoring Survey 1992-2000* (2001), and Popkin presentation for USAID/Washington (March 2002). Extreme poverty has ranged from 27% of total poverty (in 1992), to 41% ('94), 56% ('96), 47% ('98), 34% ('00), and 37% ('01).

Figure 33



EBRD, *Transition Report 2001* (November 2001), Mroz, Mancini, & Popkin, *Monitoring Economic Conditions in the Russian Federation: The Russia Longitudinal Monitoring Survey 1992-2000* (2001), and Popkin presentation for USAID/Washington (March 2002).

Figure 34



Appendix II. Table 17 *Monitoring Country Progress No. 6* (May 2000), and Mroz, Mancini, & Popkin, *Monitoring Economic Conditions in the Russian Federation: The Russia Longitudinal Monitoring Survey 1992-2000* (2001).

Table 19. Life Expectancy at Birth
(Years)

	Male			Female			Total Population				% change	% change
	1989	2000	% change	1989	2000	% change	1980	1989-92	1999	2000	1980-00	1989-00
Slovenia	69	72	4.7	77	79	3.0	70	73	75	75	7.5	3.1
Czech Republic	68	72	5.7	75	78	3.4	70	72	75	75	6.9	3.9
Albania	70	72	3.4	76	76	0.7	69	72	72	74	7.2	2.8
Armenia	69	71	2.9	75	77	3.1	73	70	74	74	0.9	5.2
Bosnia-Herzegovina	69	71	3.0	74	76	2.6	70	71	73	73	4.8	3.3
Poland	67	69	3.3	76	78	3.3	70	72	73	73	4.7	1.8
Croatia	68	69	1.2	76	78	3.2	70	73	73	73	4.7	0.4
Slovakia	67	69	3.1	75	77	2.1	70	71	73	73	4.4	2.9
Georgia	68	69	1.3	76	77	1.7	71	72	73	73	2.9	1.4
FYR Macedonia	70	71	0.0	74	75	1.9	72	72	73	73	1.1	1.1
Lithuania	67	68	0.0	76	78	2.2	71	71	72	73	2.3	2.3
Yugoslavia	69	70	1.9	74	75	1.6	70	72	72	72	3.5	0.6
Azerbaijan	66	68	2.4	74	75	1.1	68	71	71	72	5.5	1.1
Bulgaria	69	68	-0.9	75	75	0.0	71	72	71	72	0.8	-0.6
Hungary	65	67	2.4	74	76	3.0	70	71	71	71	1.8	0.3
Estonia	66	65	-1.1	75	76	0.0	69	70	71	71	2.3	0.9
Latvia	65	65	-0.5	75	76	1.1	69	69	70	70	2.0	2.0
Romania	67	66	-0.9	73	74	0.0	69	71	69	70	1.2	-1.6
Uzbekistan	66	67	0.0	72	73	1.2	67	69	70	70	4.1	1.1
Tajikistan	66	66	0.0	71	72	0.0	66	69	69	69	4.2	-0.3
Ukraine	66	63	-4.7	75	74	-1.6	69	70	67	68	-1.0	-2.4
Belarus	67	62	-7.6	76	74	-3.0	71	71	68	68	-4.1	-4.1
Moldova	66	64	-2.3	72	72	-0.4	66	68	67	68	2.7	-0.4
Kyrgyzstan	64	63	-1.9	72	72	0.3	65	66	67	67	3.5	2.0
Turkmenistan	62	63	1.9	68	70	2.3	64	66	66	66	3.7	0.5
Kazakhstan	64	60	-6.1	73	71	-2.6	67	68	65	65	-2.3	-3.7
Russia	64	59	-8.1	75	72	-3.4	67	69	66	65	-2.5	-5.3
CEE & Eurasia	66	63	-3.5	74	74	0.0	68	70	69	69	0.5	-2.0
Northern Tier CEE	67	69	3.2	75	77	2.8	70	72	73	73	4.4	2.1
Southern Tier CEE	68	67	-0.8	74	75	0.0	70	72	71	71	2.6	-0.2
Eurasia	65	61	-5.4	74	73	-2.0	68	69	67	67	-1.0	-3.3
LDCs		63			66		60		64	64		
Latin Amer. & Carib.		67			74		65		70	70		
Sub-Saharan Africa		46			47		48		47	47		
High Income		75			81		74		78	78		
Europe EMU		75			81		74		78	78		
Benchmarks		no decline			no decline							

World Bank, *World Development Indicators 2002* (2002)

Figure 35

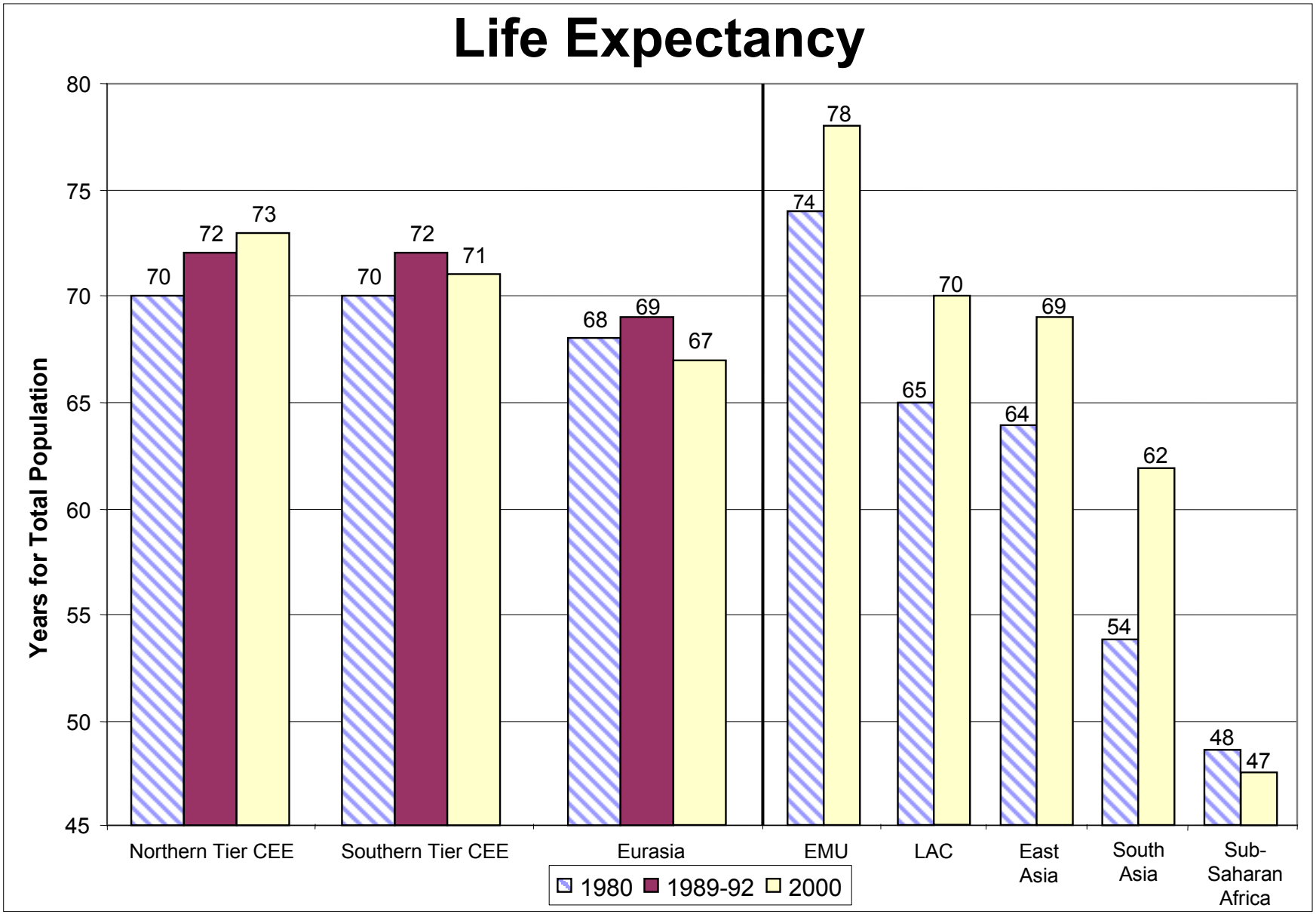


Table 19, drawing from World Bank, *World Development Indicators 2002* (2002); and World Bank, *World Development Report 2000-2001* (September 2000).

Table 20. Infant and Child Mortality

	Infant Mortality (per 1,000 live births)						Under 5 Yrs. mortality rates			
	1980	1990	1993	1999	2000	% Change 1990-00	1990	1999	2000	% Change 1990-00
Czech Republic	16	11	9	5	4	-64	12	5	7	-45
Slovenia	15	8	7	5	5	-38	10	6	7	-35
Croatia	21	11	10	8	8	-27	13	9	9	-28
Slovakia	21	12	11	8	8	-33	14	10	10	-30
Estonia	17	12	16	10	8	-33	17	12	11	-33
Poland	26	19	16	9	9	-53	22	10	11	-52
Hungary	23	15	13	8	9	-40	17	10	11	-37
Lithuania	20	10	16	9	9	-10	14	12	11	-19
Latvia	20	14	16	14	10	-29	18	18	17	-4
Belarus	16	12	13	11	11	-8	16	14	14	-13
Yugoslavia	33	23	22	12	13	-43	26	16	15	-40
Ukraine	17	13	15	14	13	0	…	17	16	…
Bosnia-Herzegovina	…	15	23	13	13	-13	21	18	18	-14
Azerbaijan	30	23	28	16	13	-43	…	21	21	…
Bulgaria	20	15	16	14	14	-7	19	17	16	-17
FYR Macedonia	54	32	24	16	14	-56	33	17	17	-49
Armenia	26	19	17	14	15	-21	24	18	17	-29
Russia	22	17	20	16	16	-6	21	20	19	-9
Georgia	25	16	18	15	17	6	…	20	21	…
Moldova	35	19	22	17	18	-5	25	22	22	-12
Romania	29	27	23	20	19	-30	36	24	23	-36
Albania	47	28	33	24	20	-29	42	35	..	…
Kazakhstan	33	26	28	22	21	-19	34	28	28	-19
Tajikistan	58	41	47	20	21	-49	…	34	30	…
Uzbekistan	47	35	32	22	22	-37	…	29	27	…
Kyrgyzstan	43	30	32	26	23	-23	41	38	35	-16
Turkmenistan	54	45	46	33	27	-40	…	45	43	…
CEE & Eurasia	26	19	20	15	15	-20	23	19	18	-22
Northern Tier CEE	23	16	14	8	8	-47	18	10	10	-43
Southern Tier CEE	30	23	21	16	16	-29	29	19	19	-32
Eurasia	26	20	22	17	16	-11	23	22	21	-11
LDCs		66		59	58	-12	91	85	84	-8
Latin Amer. & Carib.		41		30	29	-29	49	38	37	-24
Sub-Saharan Africa		101		92	91	-10	155	161	162	5
High Income Countries		8		6	6	-25	9	6	7	-22
Europe EMU		8		5	5	-38	9	5	6	-33
Benchmarks						no worsening				

World Bank, *World Development Indicators 2002* (2002). For 1999 under 5 mortality in Albania: UNICEF, *State of the World's Children 2001* (December 2000).

Figure 36

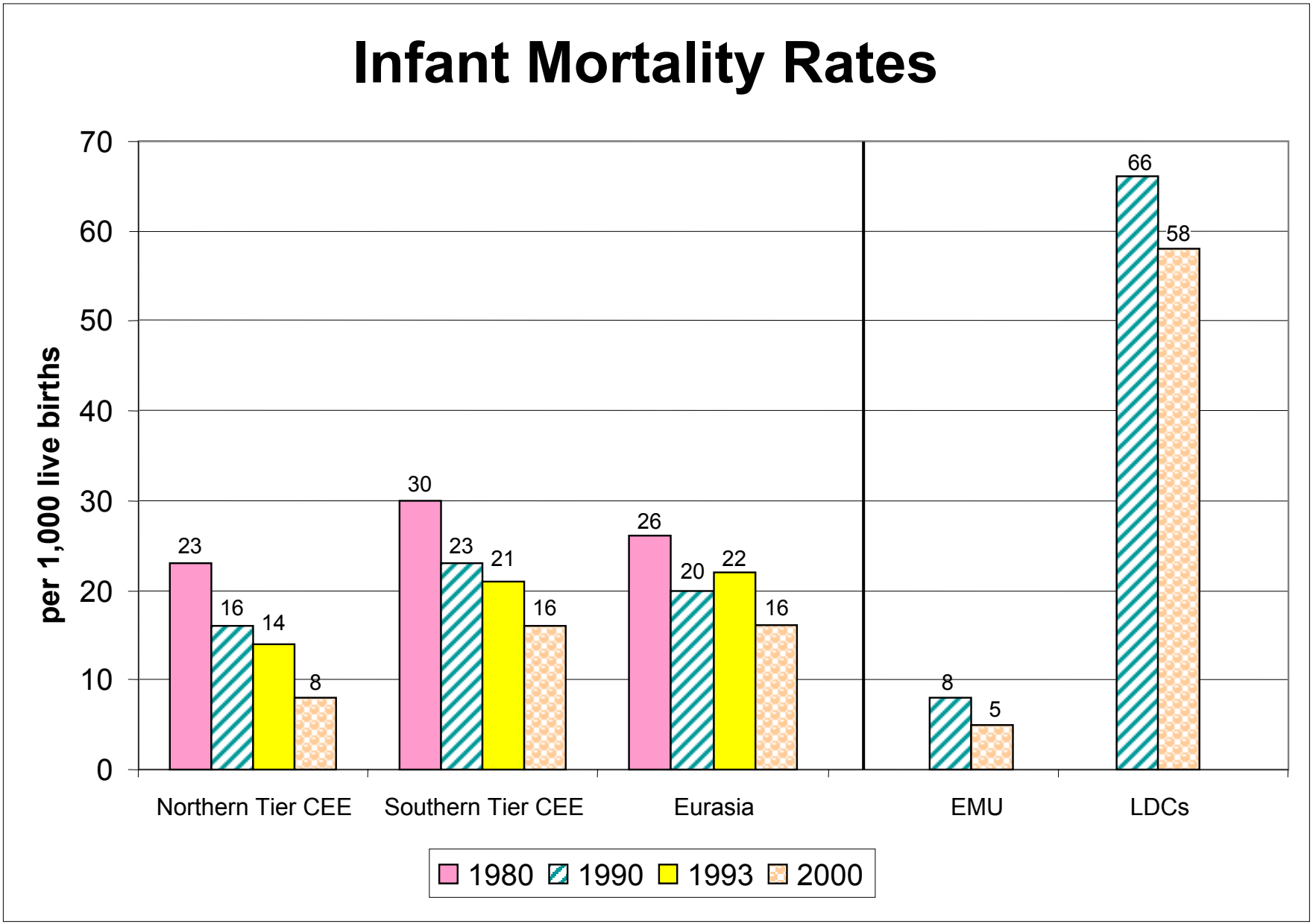
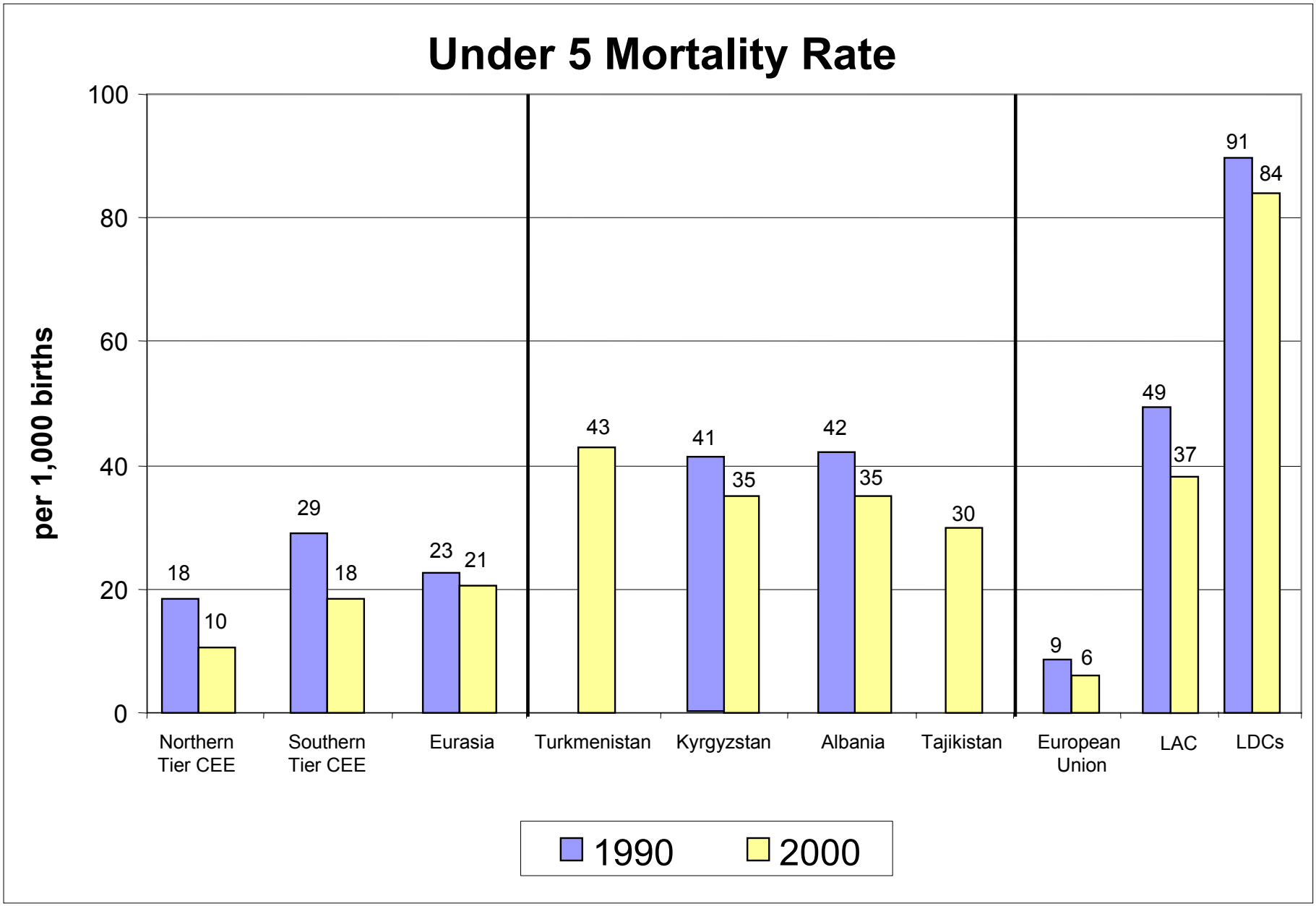


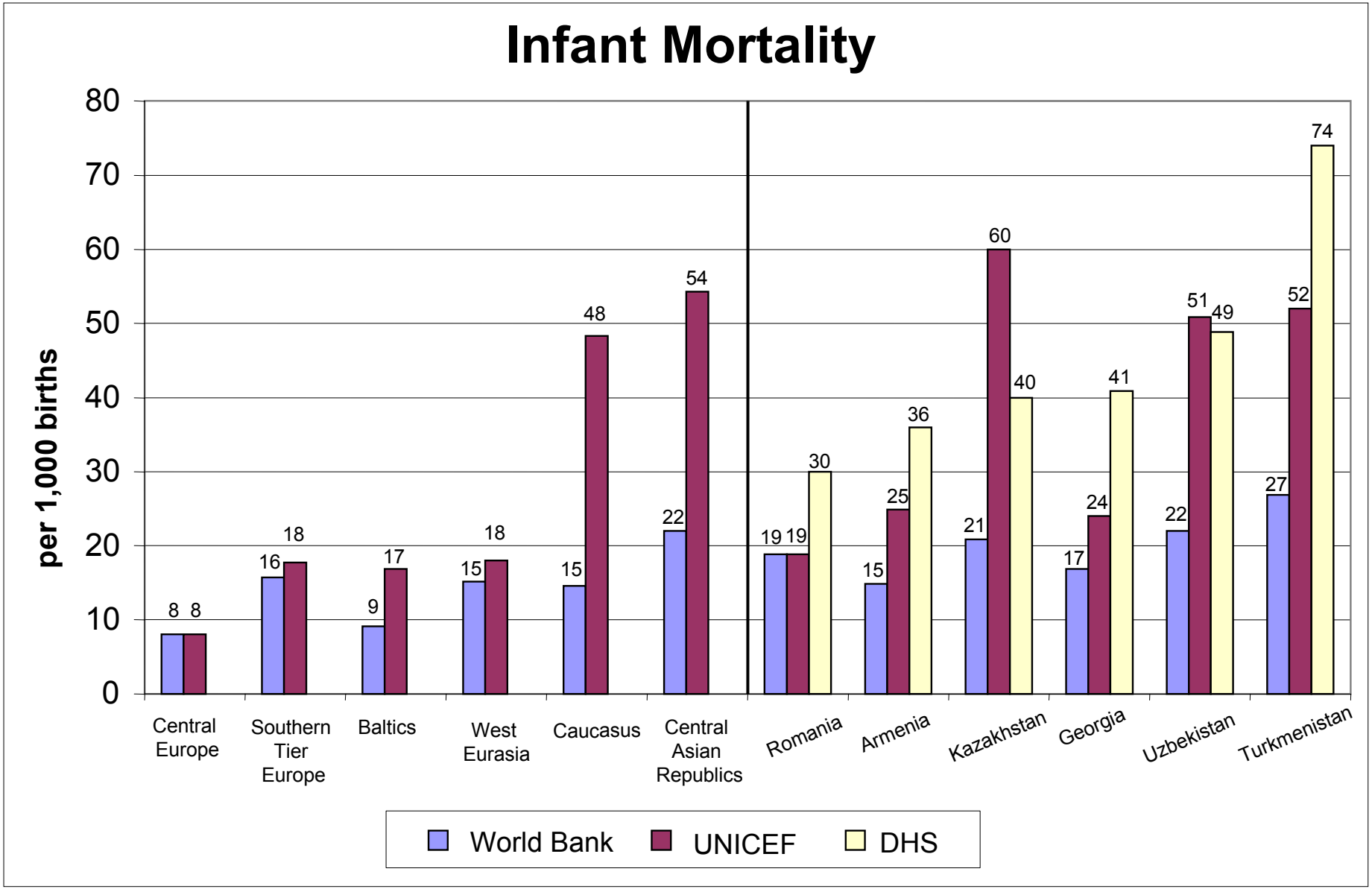
Table 20, drawing from World Bank, *World Development Indicators 2002* (2002).

Figure 37



Most recent data available for Albania are 1999.
Table 20, drawing from World Bank, *World Development Indicators 2002* (2002).

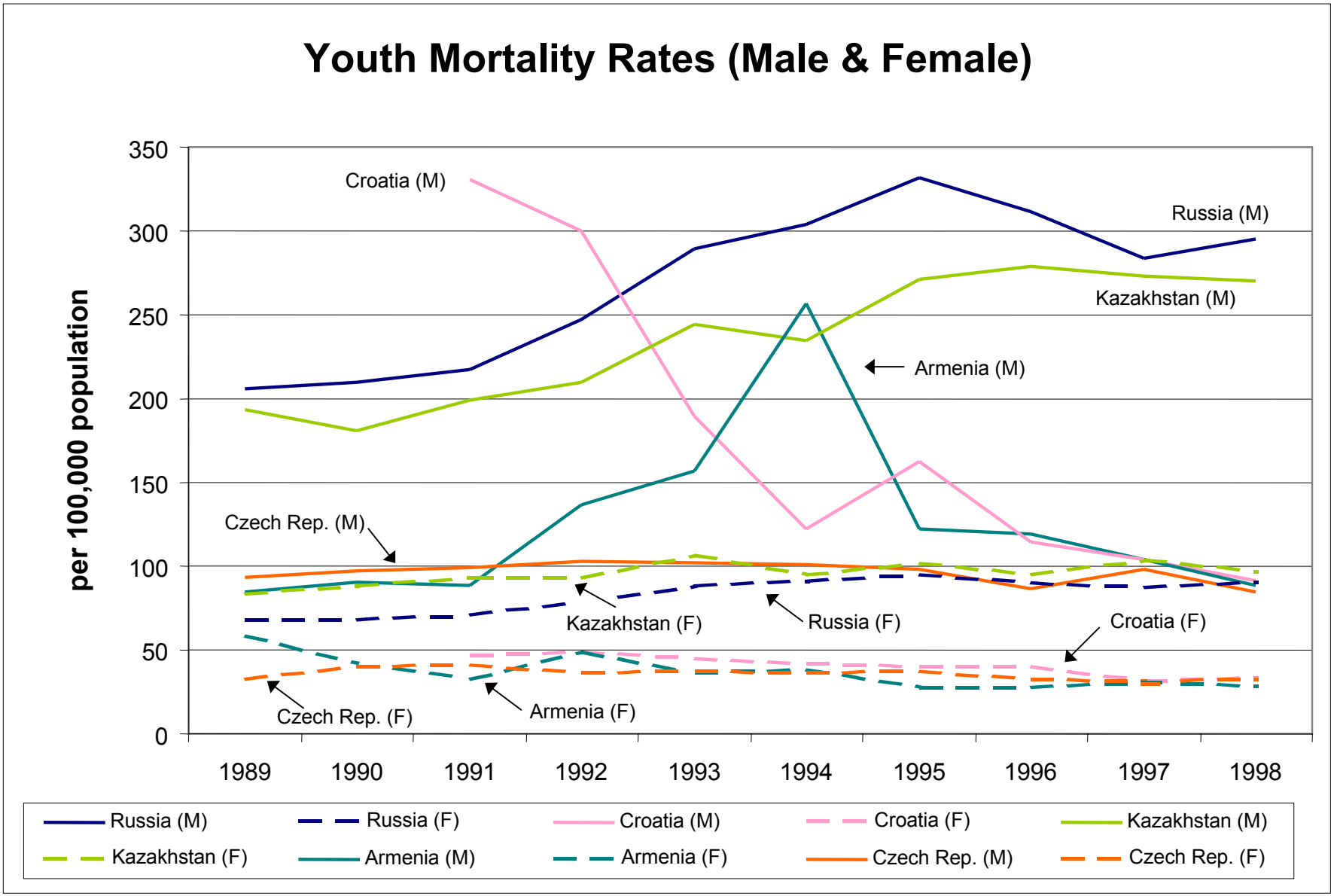
Figure 38



Central Europe consists of Czech Rep., Hungary, Poland, Slovakia and Slovenia. The Baltics are Estonia, Latvia and Lithuania. Southern Tier Europe consists of Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia and Yugoslavia. West Eurasia consists of Belarus, Moldova, Russia and Ukraine. The Caucasus are Armenia, Azerbaijan and Georgia. The Central Asian Republics are Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan.

World Bank, *World Development Indicators 2002* (2002); UNICEF, *Social Monitor* (2002), and Macro International Inc., *Demographic and Health Surveys*.

Figure 39



Youth are from 15-24 years of age.
UNICEF, Regional Monitoring Report No. 7, *Young People in Changing Societies* (2000).

Table 21. Education

(Secondary and Primary School Enrollment)

Country	Secondary School Enrollment[1] (% of age group) 1990	1993	1997	1998	% change 1990-98[2]	Primary School Enrollment[1] 1989	1993	1998	% change 1989-98
Hungary	78.6	94.3	97.8	98	24.7	99.0	99.1	99.2	0.2
Slovenia	91.1	90.3	91.7	99	0.7	96.1	97.8	98.2	2.2
Poland	81.5	93.9	97.6	…	19.8	97.9	97.2	98.1	0.2
Czech Republic	91.2	91.8	98.7	82	-10.1	97.6	99.1	97.6	0.0
Romania	92.0	79.4	78.4	80	-13.0	93.6	90.3	97.0	3.6
Belarus	93.0	90.9	92.9	…	-0.1	95.6	93.3	96.5	0.9
Lithuania	91.9	80.9	86.3	90	-2.1	94.6	91.6	96.1	1.6
Estonia	101.9	93.9	103.8	104	2.1	96.5	91.4	95.0	-1.6
Croatia	76.2	82.8	81.8	…	7.3	94.0	89.0	94.3	0.3
Bulgaria	75.2	70.1	76.8	87	15.7	98.4	94.0	94.3	-4.2
Slovakia	…	88.6	94.0	86	-2.9	96.0	94.9	93.9	-2.2
Kazakhstan	98.0	92.0	87.0	87	-11.2	94.7	94.0	93.2	-1.6
Moldova	80.0	84.0	80.5	…	0.6	95.0	79.1	92.5	-2.6
Azerbaijan	90.0	87.0	77.0	84	-6.7	88.4	89.2	91.6	3.6
Latvia	92.7	87.0	83.7	87	-6.1	95.4	89.1	90.9	-4.7
Uzbekistan	99.0	94.0	94.0	…	-5.1	92.2	87.9	89.7	-2.7
Kyrgyzstan	100.0	90.0	79.0	86	-14.0	92.5	89.7	89.7	-3.0
Russia	93.3	87.0	…	…	-6.8	90.8	88.3	89.1	-1.9
Ukraine	92.8	91.2	…	…	-1.7	93.0	91.0	89.0	-4.3
Tajikistan	102.0	82.0	78.0	…	-23.5	95.6	87.1	87.8	-8.2
Albania	78.3	41.2	37.5	…	-52.1	90.8	86.6	87.6	-3.5
FYR Macedonia	55.7	57.3	62.9	83	49.0	89.4	86.2	86.9	-2.8
Armenia	…	88.0	90.0	…	2.3	93.7	84.6	83.2	-11.2
Turkmenistan	…	…	…	…	…	94.3	92.0	83.1	-11.9
Georgia	95.0	77.0	77.0	79	-16.8	94.4	82.3	81.8	-13.3
Yugoslavia	…	…	62.0	…	…	95.0	72.5	69.2	-27.2
CEE & Eurasia	91.2	87.7	86.5	85.8	-2.6	93.3	90.2	90.9	-2.6
Northern Tier CEE	84.2	92.3	96.5	90.2	12.1	97.6	96.9	97.5	-0.1
Southern Tier CEE	83.9	73.7	71.7	82.0	-5.0	94.4	86.5	89.3	-5.3
Eurasia	94.0	88.5	86.9	85.0	-6.2	92.0	89.0	89.5	-2.7
European Union	96.7	108.4	108.4	…	12.1				
Benchmark		no decline in enrollment							

1. Gross rates, % of relevant populations. 2. Change is for most recent year.

Source: World Bank, *World Development Indicators 2002* (2002); UNICEF, *Young People in Changing Societies*, Regional Monitoring Report No. 7 (2000).

Figure 40

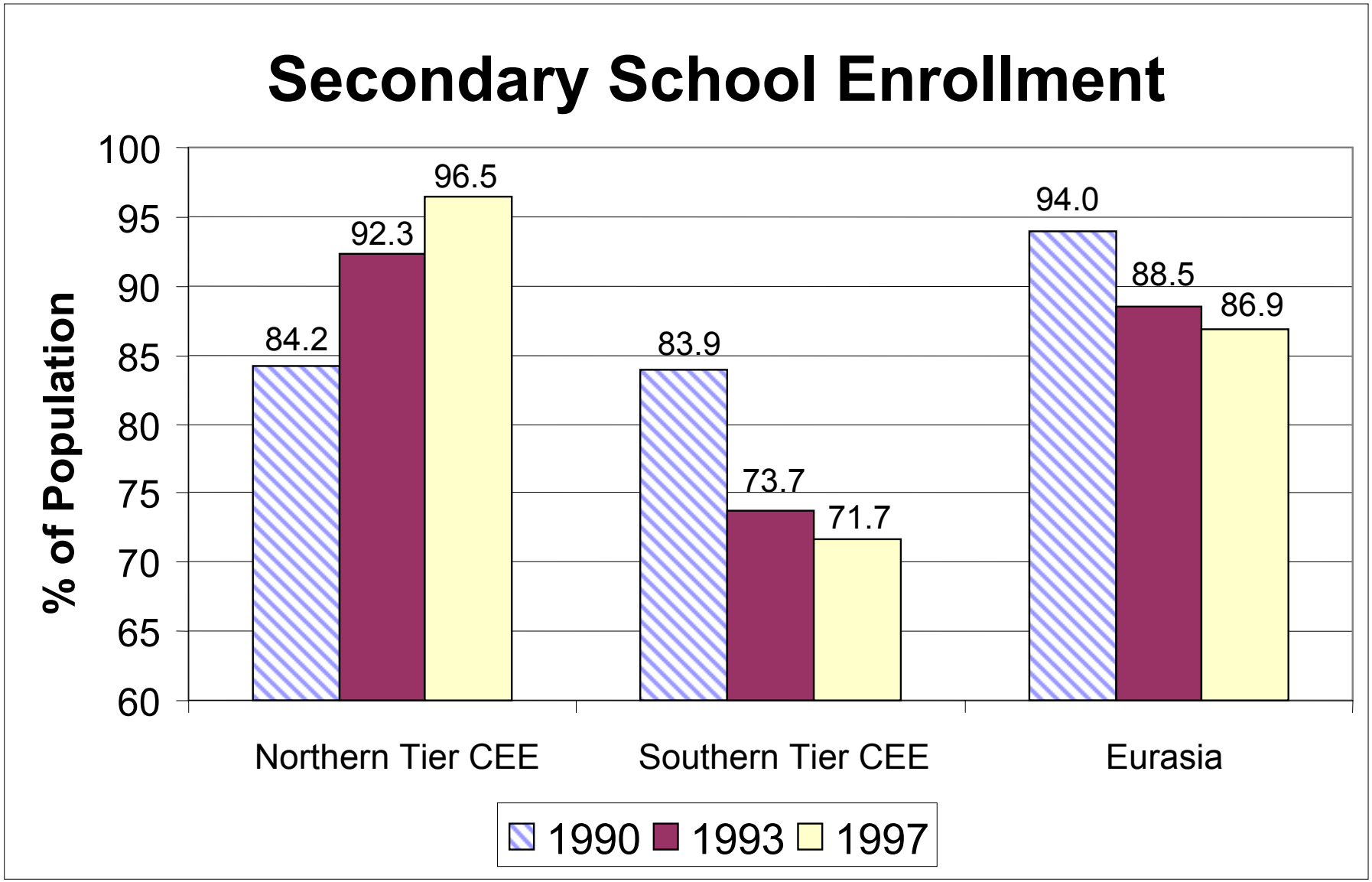


Table 21, drawing from World Bank, *World Development Indicators 2002* (2002).
Gross secondary school enrollment ratios in 1997 for LDCs were 56, LAC (42), South Asia (47), and Sub-Saharan Africa (26).

Figure 41

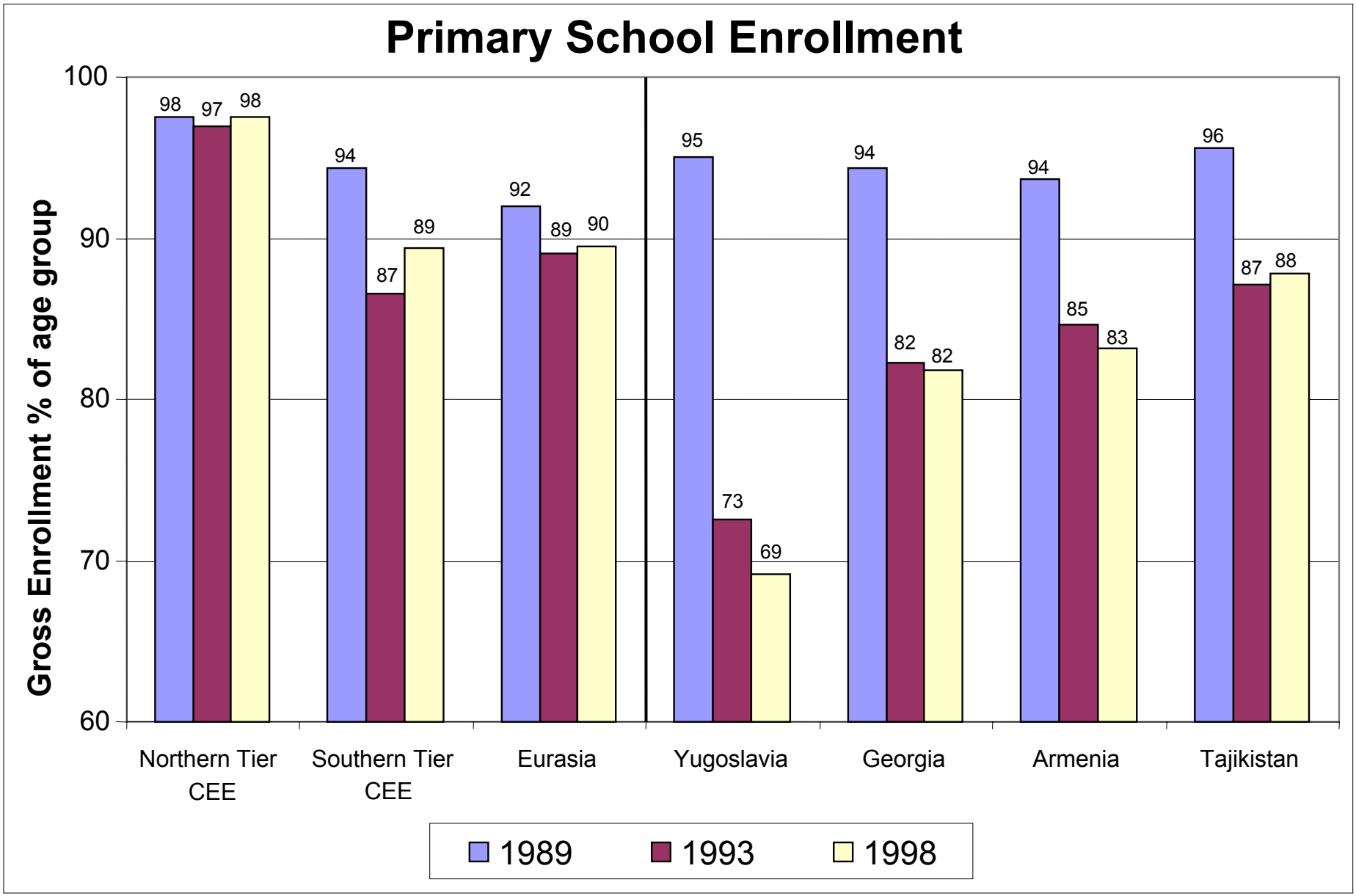
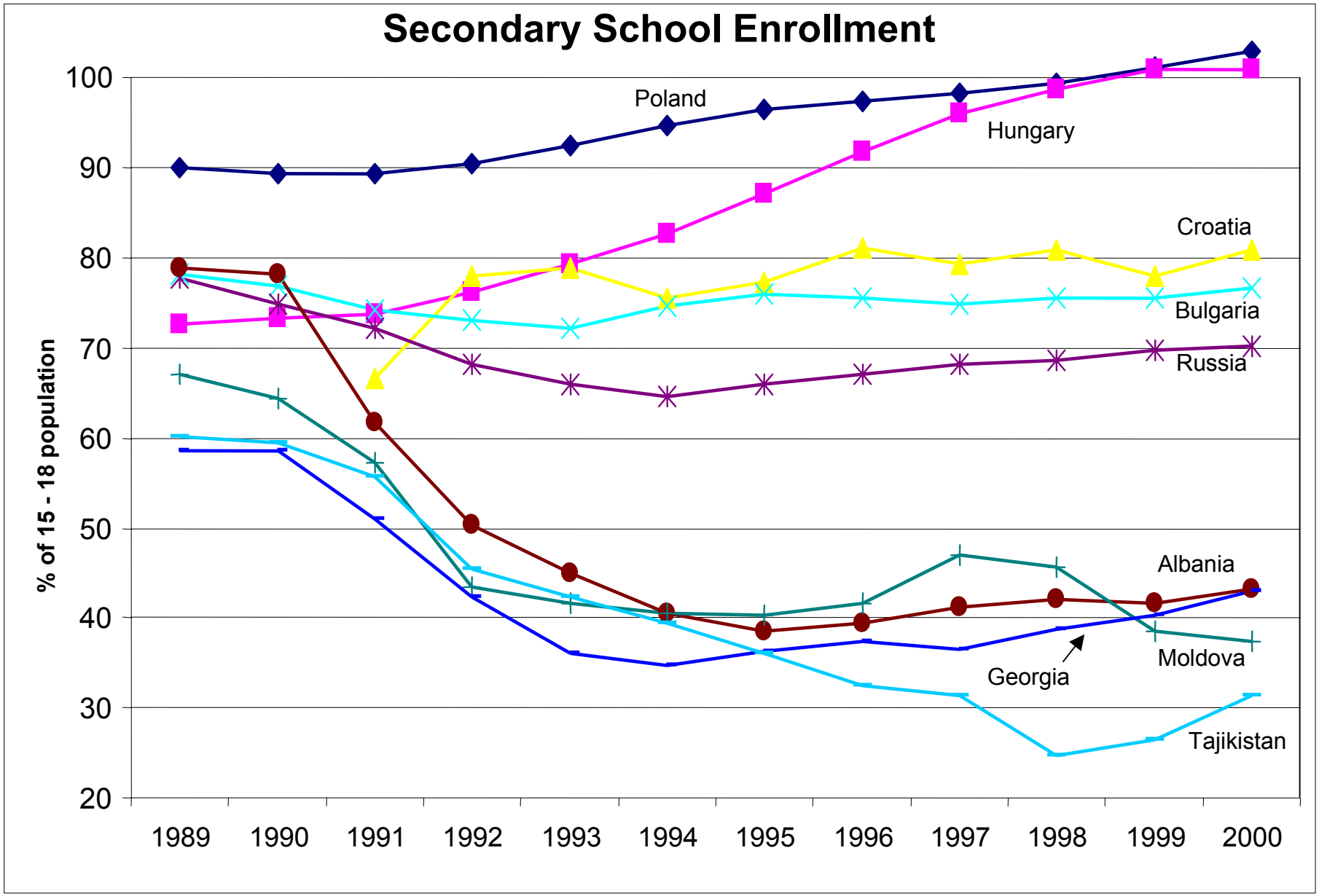


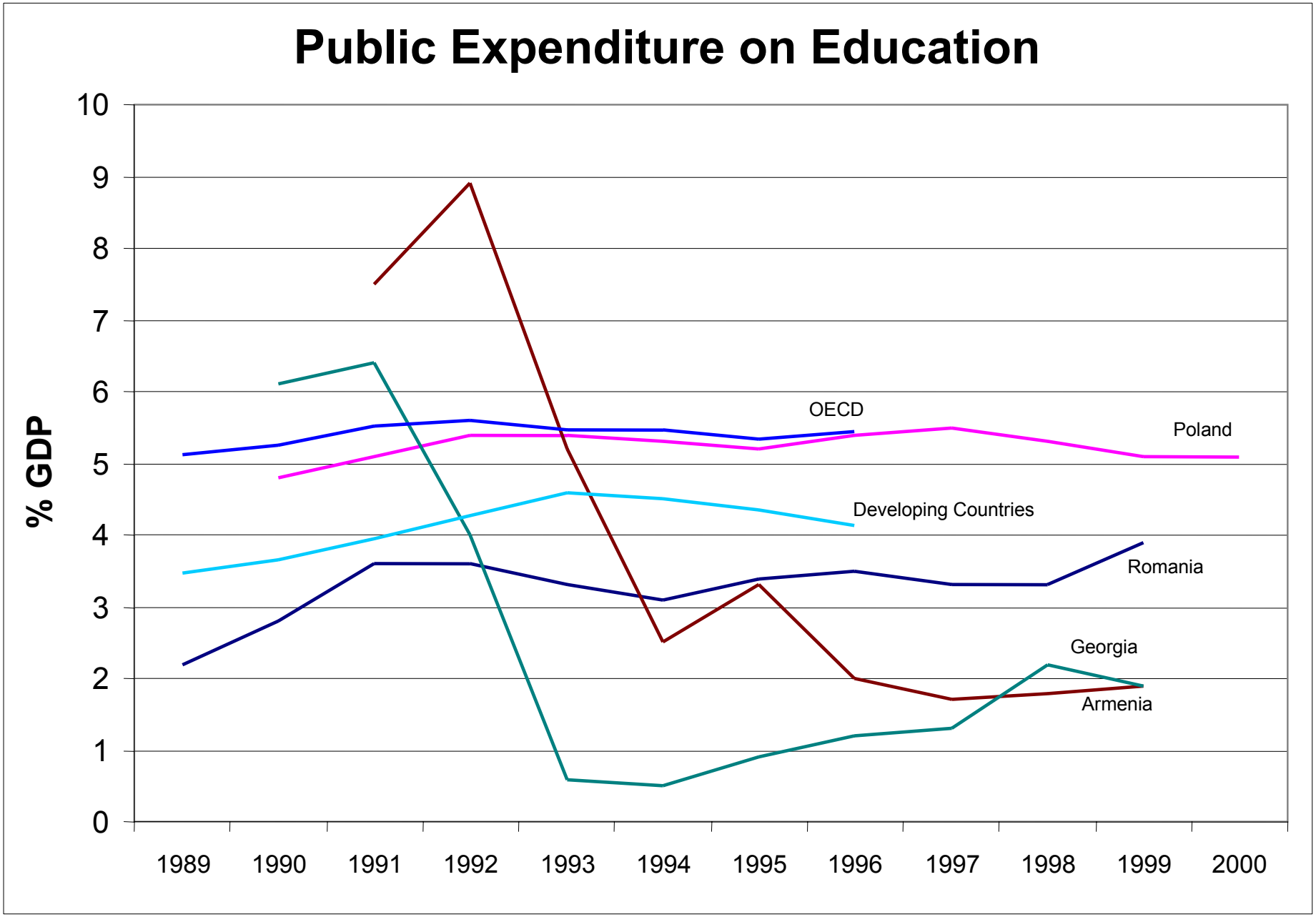
Table 21, drawing from UNICEF, *Young People in Changing Societies, Regional Monitoring Report, No. 7 (2000).*
World Bank data form 1997 for Europe and Central Asia, including Turkey, has a gross enrollment ratio of 102, while LDCs have an enrollment ratio of 105, LAC (116), South Asia (95) and Sub-Saharan Africa (74). World Bank, *World Development Indicators 2002* (2002).

Figure 42



Gross rates; general secondary plus vocational/technical secondary combined.
UNICEF, *Social Monitor* (2002).

Figure 43



UNICEF, *Social Monitor* (2002).

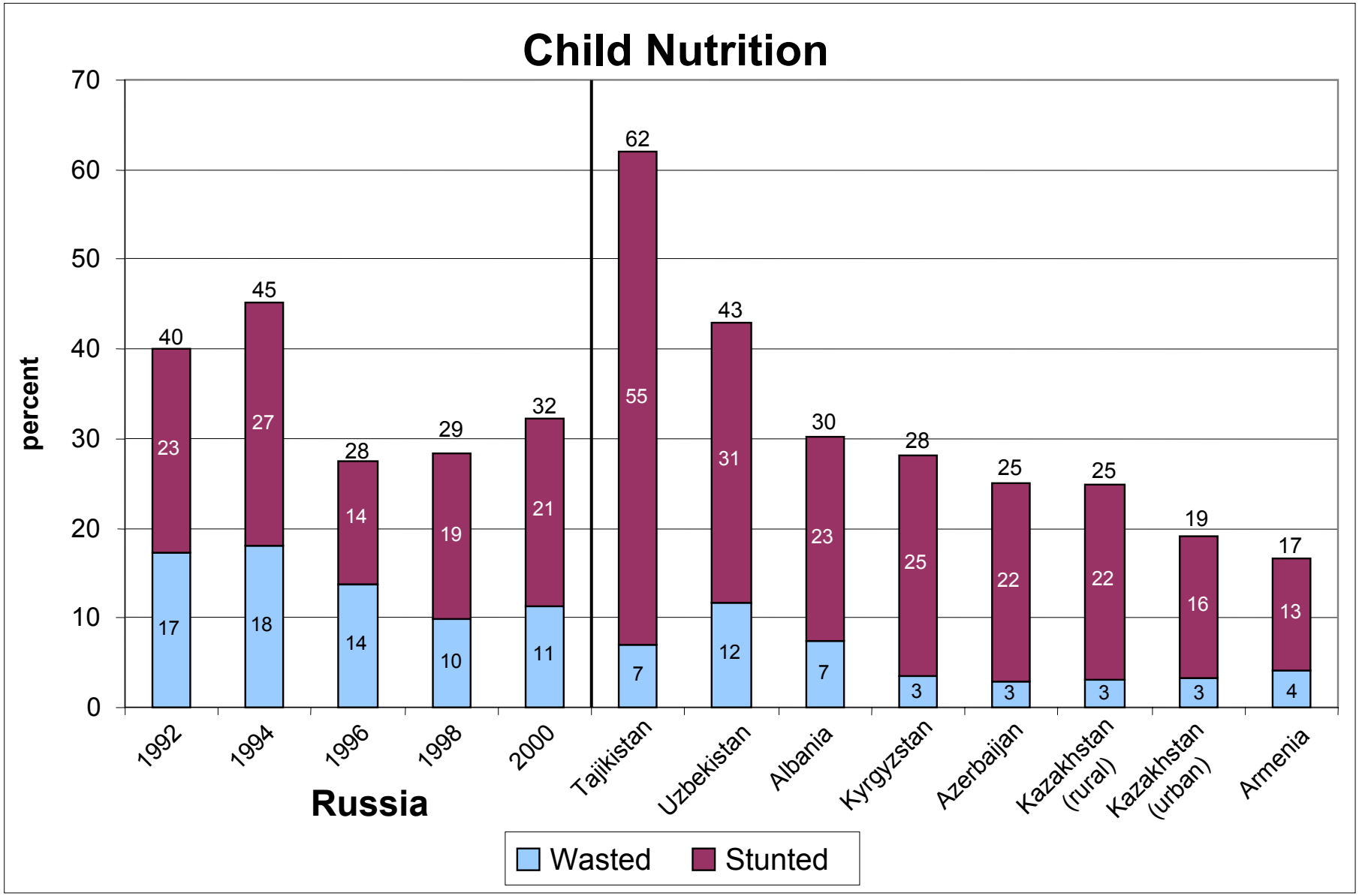
Table 22. Human Development
(Human Development Index)

Country	1990 Score	2000 Score	2000 Rank	1990-00 % Change
Slovenia	0.845	0.879	29	4.0
Czech Republic	0.835	0.849	33	1.7
Hungary	0.804	0.835	35	3.9
Slovakia	0.820	0.835	36	1.8
Poland	0.792	0.833	37	5.2
Estonia	…	0.826	42	…
Croatia	0.797	0.809	48	1.5
Lithuania	0.816	0.808	49	-1.0
Latvia	0.804	0.800	53	-0.5
Belarus	0.809	0.788	56	-2.6
Russia	0.824	0.781	60	-5.2
Bulgaria	0.786	0.779	62	-0.9
Romania	0.777	0.775	63	-0.3
FYR Macedonia	…	0.772	65	…
Armenia	0.759	0.754	76	-0.7
Kazakhstan	…	0.750	79	…
Ukraine	0.795	0.748	80	-5.9
Georgia	…	0.748	81	…
Turkmenistan	…	0.741	87	…
Azerbaijan	…	0.741	88	…
Albania	0.702	0.733	92	4.4
Uzbekistan	0.731	0.727	95	-0.5
Kyrgyzstan	…	0.712	102	…
Moldova	0.759	0.701	105	-7.6
Tajikistan	0.740	0.667	112	-9.9
CEE & Eurasia	0.789	0.776		-0.7
Northern Tier CEE	0.817	0.833		2.2
Southern Tier CEE	0.766	0.774		1.2
Eurasia	0.774	0.738		-4.6
OECD		0.905		
Latin Amer. & Carib.		0.767		
South Asia		0.570		
Sub-Saharan Africa		0.471		

The HDI is based on three indicators: longevity, as measured by life expectancy; educational attainment, as measured by a combination of adult literacy (two-thirds weight), and combined primary, secondary and tertiary enrollment ratios (one-third weight); and standard of living, as measured by real GDP per capita (PPP$). The HDI ranges from zero to one; the higher is the value, presumably the greater is the human development.

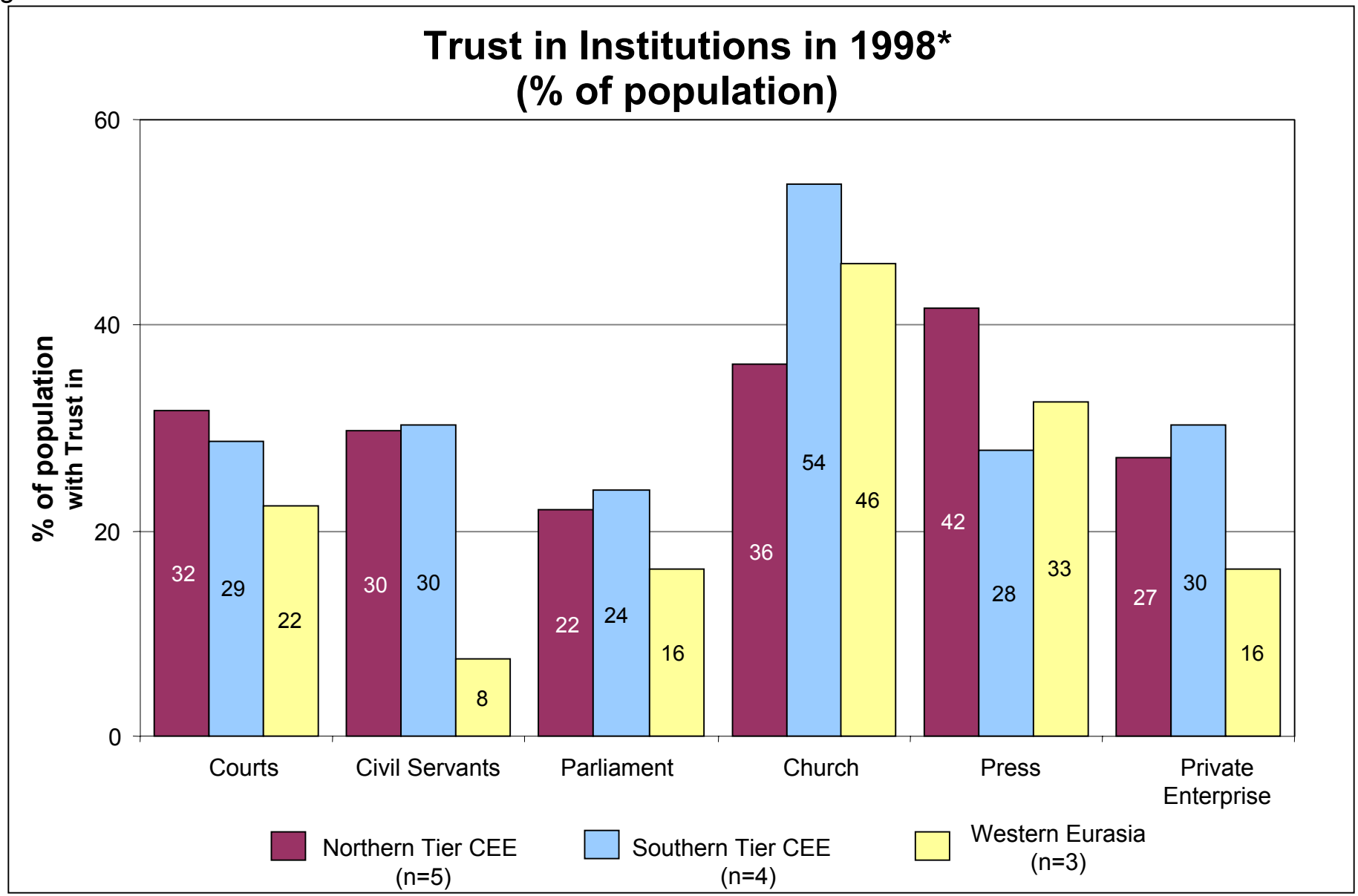
UNDP, *Human Development Report 2002* (2002).

Figure 44



Stunting is low height-for-age due to chronic malnutrition; wasting is low weight-for-age due to acute malnutrition.
Data are for children from 0-6 years of age in Russia, 0-5 years of age in Azerbaijan and Albania, 6 months - 5 years in Tajikistan, and 0-3 yeas if age in Kazakhstan, Kyrgyzstan and Uzbekistan. Data are from 1995 for Kazakhstan, 1996 for Azerbaijan and Uzbekistan, 1997 for Albania and Kyrgyzstan, and 1998 for Armenia and Tajikistan.
Zohoori, Gleiter, & Popkin, *Monitoring Health Conditions in the Russian Federation: The Russia Longitudinal Monitoring Survey 1992-2000* (2001), and World Bank, *Making Transition Work for Everyone* (September 2000).

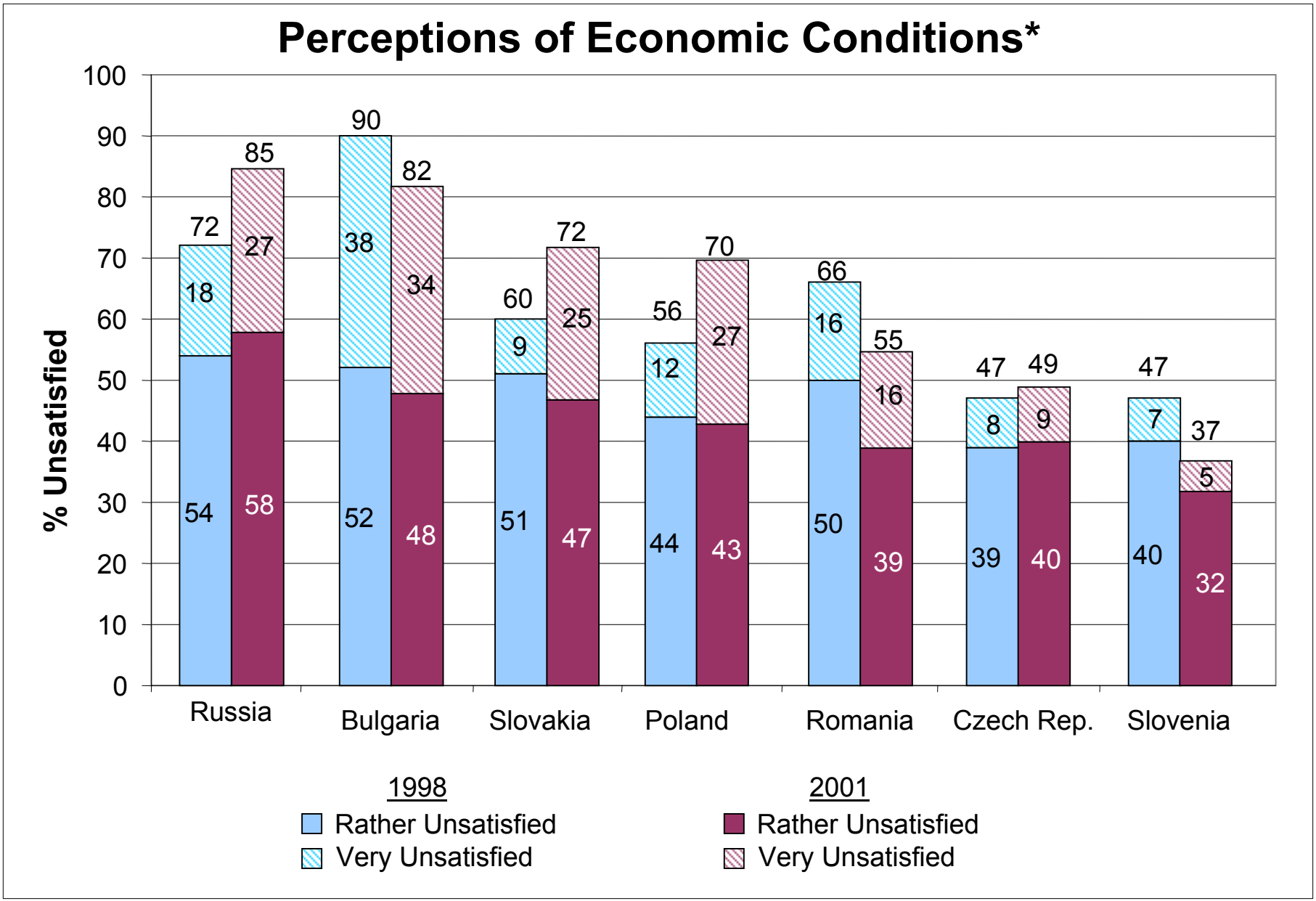
Figure 45



Data are from two household surveys: R. Rose & C. Haerpfer, *New Democracies Barometer V: A 12-Nation Survey*, CSPP, #306 (1998); and Rose, *New Russia Barometer Trends Since 1992*, CSPP, #320 (1999). Northern Tier CEE countries are the Czech Republic, Poland, Slovenia, Slovakia, and Hungary; Southern Tier CEE countries are Romania, Bulgaria, Croatia, and Yugoslavia; and Western Eurasia countries are Russia, Belarus, and Ukraine. An updated 2001 survey in Russia found: 23% trust in courts; 7% in parliament; 39% in churches; 7% in private enterprise and 50% in the president.

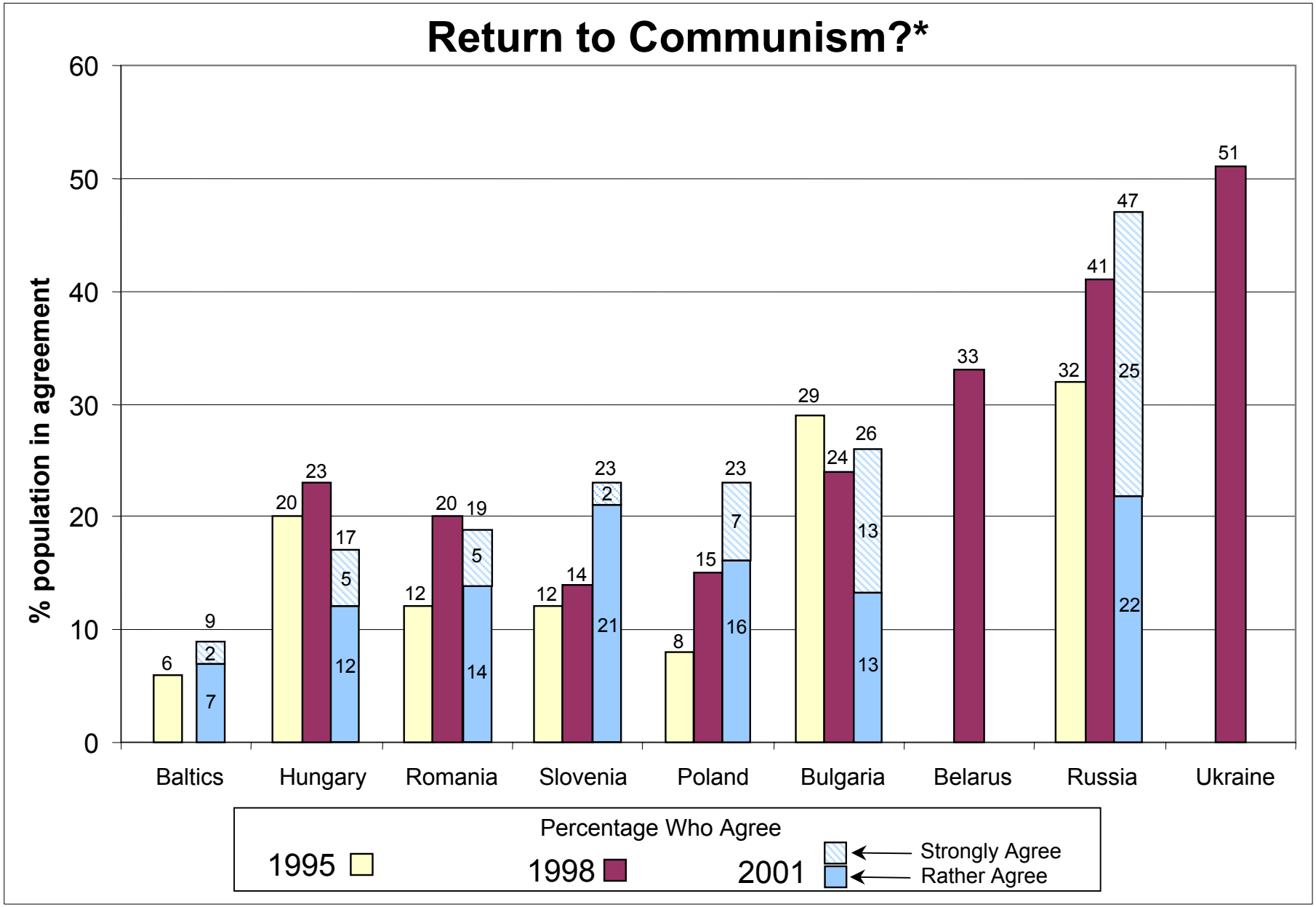
*Respondents were trusting if their answer was in the top 3 categories of a 7 point-scale, where 1 represents no trust and 7 great trust.

Figure 46



Rose, R. *A Bottom Up Evaluation of Enlargement Countries: New Europe Barometer I* (2002), and *Russia Under Putin: New Russia Barometer 10,*CSPP #350 (2001).
*How do you rate your household's economic situation today?

Figure 47



Rose, R. *A Bottom Up Evaluation of Enlargement Countries: New Europe Barometer I,* (2002), and *Russia Under Putin: New Russia Barometer 10,*CSPP #350(2001).
* To what extent do you agree it would be better to restore the Communist system?